OCTOBER 1959

The Mortgage Banker

Changing of the guard as MBA elects B. B. Bass, center, president for the new year, Robert Tharpe, left, vice president, and Carton S. Stallard, second vice president.

MORTGAGE BANKERS ASSOCIATION OF AMERICA
MBA

in this issue — PROFIT OPPORTUNITIES IN URBAN RENEWAL ★ THE QUALITY HOUSE ★ COVERAGE OF THE CONVENTION

Since 1950 Metropolitan PHILADELPHIA has added

Enough New Dwellings to house ATLANTA and SEATTLE

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MBA CALENDAR FOR 1960

January 19-21, Senior Executives Conference, New York University, New York.

January 24-26, Southwestern Senior Executives Conference, Southern Methodist University, Dallas.

February 29-March 1, Midwestern Mortgage Conference, Conrad Hilton Hotel, Chicago.

March 17-18, Mortgage Servicing Clinic, Mayflower Hotel, Washington, D. C.

April 4-5, Southern Mortgage Conference, Robert Meyer Hotel, Jacksonville, Florida

April 21-23, Western Mortgage Conference, Paradise and Jokake Inns, Phoenix

May 2-3, Eastern Mortgage Conference, Hotel Commodore, New York

May 19-20, Mortgage Servicing Clinic, Hotel Leamington, Minneapolis

June-July, School of Mortgage Banking, Northwestern University, Chicago

July-August, School of Mortgage Banking, Stanford University, Stanford, California

October 3-6, 47th Annual Convention, Conrad Hilton Hotel, Chicago

The Mortgage Banker

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MORTGAGE BANKERS ASSOCIATION OF AMERICA

B. B. Bass, *President* — Robert Tharpe, *Vice President*

Carlton S. Stallard, *Second Vice President* — Frank J. McCabe, Jr., *Executive Vice President* — George H. Dovenmuehle, *Treasurer*

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GEORGE H. KNOTT, *Editor* — ROBERT J. BERAN, *Associate Editor*

Volume 20 — **OCTOBER, 1959** — **Number 1**

Contents

▶ AVAILABLE TO MBA MEMBERS: In recent years the Association has published a series of monographs under its Award of Merit program. These have covered a variety of subjects, each dealing with an important aspect of mortgage lending. Copies are still available to MBA members without charge.

The Motel Story by Jerry B. Frey, Jr., the Jerry Frey Mortgage Company, Dallas.

Simplified Mortgage Service Accounting Procedures by John K. Benoit, Equitable Life Insurance Company of Iowa.

Direct Placement of Industrial Securities by Mortgage Bankers by Walter Mahlstedt, Teachers Insurance and Annuity Association of America.

Mortgage Loan Analysis of Retail Properties by Robert P. Russell, Mortgage and Trust, Inc., Houston.

Auditing the Loan Correspondent by D. R. Olson, Equitable Life Insurance Company of Iowa, Des Moines.

The Advisability and Problem of Full or Partial Conversion to Punched Card Accounting by William I. DeHuszar, Dovenmuehle, Inc., Chicago.

Pension Plans, Profit Sharing and Deferred Compensation by the staff of Berrien Tarrant & Associates, Chicago.

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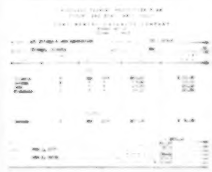

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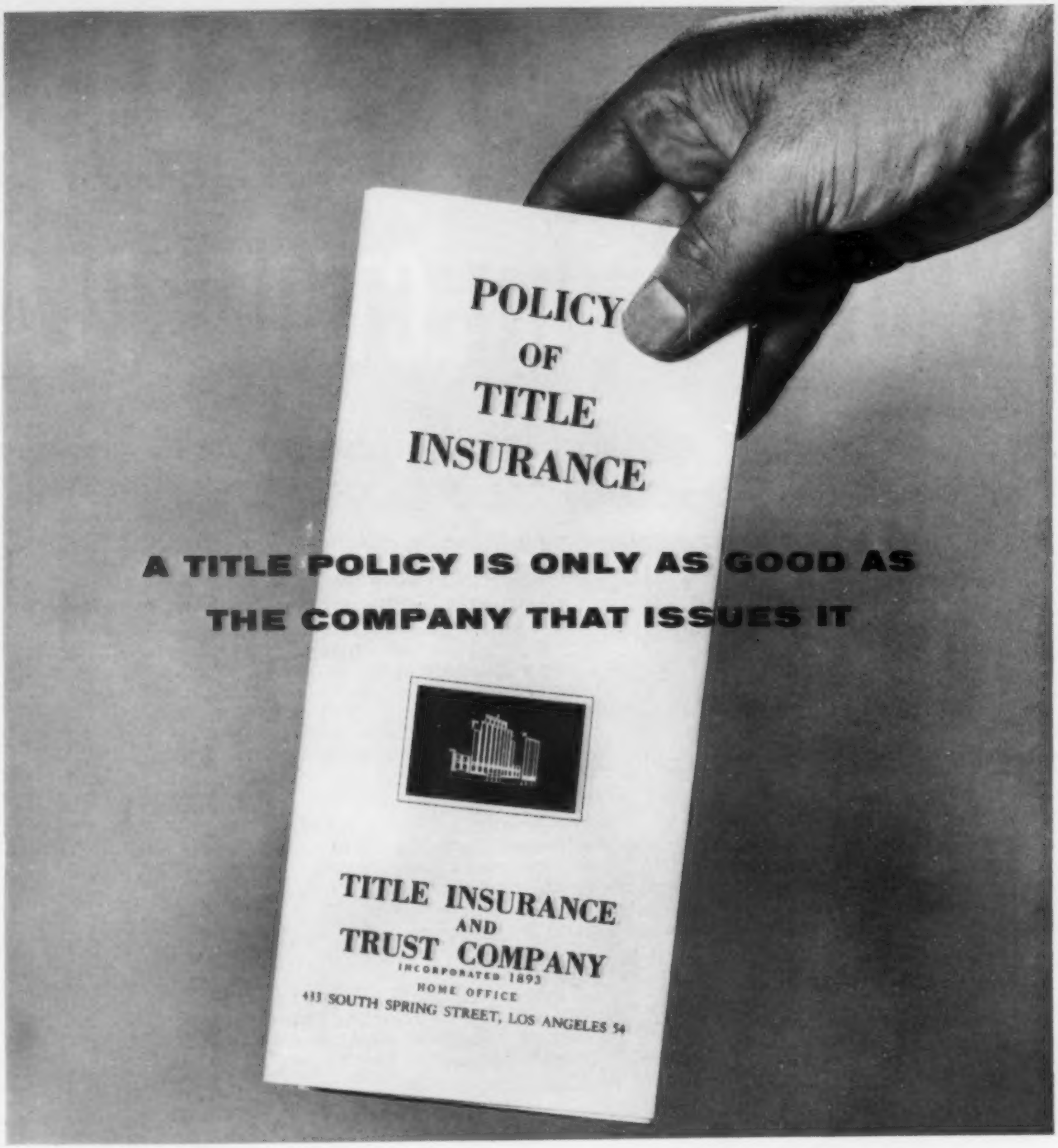
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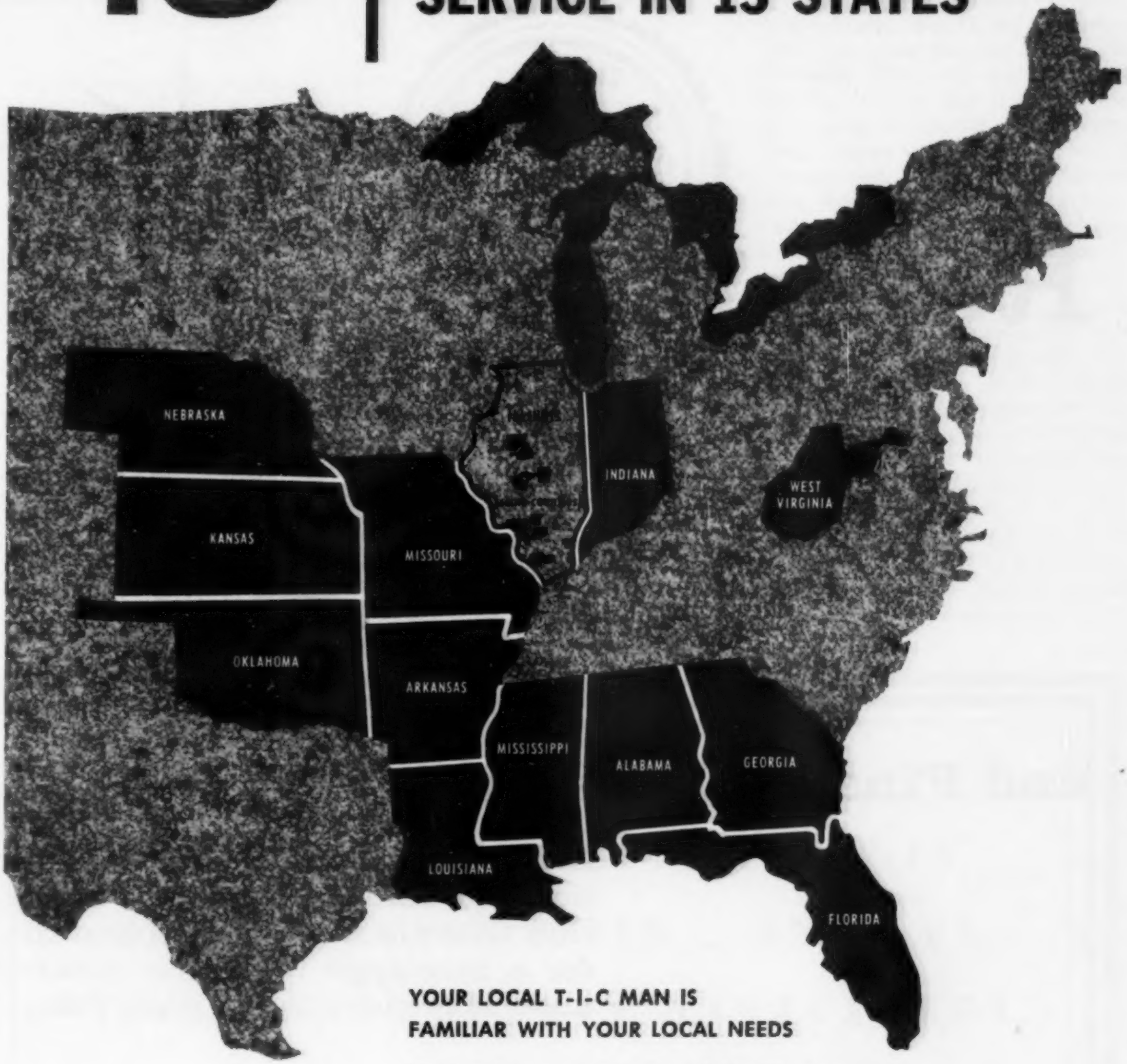
13 | T-I-C OFFERS "HOMETOWN" SERVICE IN 13 STATES



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12 million homes in the Fifties and a $100 billion expansion in mortgage debt gives an idea of just how busy we've been—all made possible by savings

The current decade of the Fifties has brought by far the biggest expansion in housing the nation has ever experienced, in keeping with the growth of the economy in the period, the rise in population and in income levels, and the general advance in the people's living standards.

The accomplishment goes beyond the mere number of homes built—nearly 5 million more than in any previous decade. Home ownership has gone up dramatically as well, to the point where more than three out of every five homes are now owner-occupied. And the results provide a demonstration of the way that the savings have been channeled into the mortgage field by thrift institutions to help make such a showing possible.

Figures compiled by FHA and HHFA put the total number of nonfarm dwelling units started at approximately 12 million for the 1950-59 period. The previous peak was just over 7 million homes built in the decade of the Twenties, or about 40 per cent fewer than in the current period. The Forties saw 5.7 million nonfarm dwelling units built, while the figure for the Thirties was only about 2¾ million. The last two periods were, of course, affected by depression and war.

The latest figures show that more than 60 per cent of the nation's dwelling units are owner-occupied. Before World War II, the ownership ratio had never been as high as 50 per cent. This mark was reached in the late Forties, and the ratio has been going up steadily since. Single-family homes are predominant in this development. They represent 85 per cent of all nonfarm dwelling units built in the current decade, the highest such ratio on record.

On a net basis, the indications are that the total residential mortgage debt will show an expansion of close to $100 billion for the decade as a whole. The increase for the 1950-58 period has been just under $88 billion, an average of close to $10 billion a year. The rise in 1955 alone was over $13 billion, and in 1958 more than $11 billion.

Seven out of every eight dollars of this vast sum needed to expand the nation's housing has come from the principal thrift institutions. Their

contribution in this respect in the 1950-58 period exceeded $76 billion. Of this total, mortgage funds supplied by life insurance companies and the savings and loan associations, whose predominant investment is mortgages, exceeded $50 billion in the period. The two together thus represented about three-fifths of the mortgage funds supplied by thrift institutions.

IS IT A 48¢ DOLLAR?

Yes and no, all according to the measuring stick you use. The 1939 dollar is not more but whether it's lost half of its value is a moot question.

Discussions of inflation commonly include references to "the declining value of the dollar." In recent months it has been said frequently that "the dollar is worth only 48 cents." This statement means that a dollar will purchase only 48 per cent as many commodities and services at the present time as it would in 1939, as measured by the consumer price index.

The value of the monetary unit is determined by the quantity of goods and services it can command in exchange. As prices rise, the purchasing power of a dollar declines; as prices fall, its purchasing power rises.

When individual commodities are considered, the value of the dollar does not ordinarily come to the fore. For example, wool was priced recently at 43 cents per pound and a year earlier the price was 36 cents. But we do not think of the dollar as being worth 2.3 pounds of wool, and we do not conclude that the dollar has declined nearly 20 per cent in purchasing power during the past year merely because the price of wool has risen.

In a sense there are as many values for the dollar as there are commodities. However, movements in these prices are often quite different. For example, the prices of many agricultural commodities and imported raw materials are substantially lower than they were in 1947. Prices of most other things are higher, but by varying proportions.

To be useful, the idea of a shifting purchasing power of money must be related to changes in the prices of a wide variety of commodities and services. To measure the change in the value of the dollar, then, requires the computation of an average of many prices. Usually the prices of the individual items are weighted according to their relative importance.

Even the broadest measures of the price level do not attempt to include all prices. Secondhanded items, stocks and bonds and real estate prices usually are not included.

To facilitate making comparisons of groups of prices through time, price indexes are constructed. The average

of prices as of some specific date—the "base period"—is taken to be equal to 100. The average computed for other dates is presented as a percentage of the base. The base period may be a year or even a shorter period, but it is common to use an average of several years.

At the present time, many indexes use the 1947-49 base period. The selection of the base period is merely for convenience in making comparisons. It does not indicate, necessarily, that the relationships which existed during the base period were more normal, reasonable or desirable than those in any other period.

Prior to the time when the 1947-49 base period came into fairly general use, 1935-39 was widely used. In the future, other base periods will be used.

The most widely used indexes of prices are the *consumer price index,* which measures changes in the prices of goods and services purchased by families of urban wage earners and salaried clerical workers, and the *wholesale price index,* which measures changes in the prices paid by business firms in the primary markets. A third measure, and one that is coming into more general use, is the *gross national product deflator.* This index is the result of efforts to remove the effects of price movements from estimates of total spending so that the estimates of total output of the U. S. economy can be presented in "real" terms.

When a value is assigned to the general purchasing power of the dollar, it is derived from one of these measures which represents changes in a broad category of prices.

The statement that "the dollar is worth 48 cents" is based upon the over-all rise in the consumer price index since 1939. If the wholesale price index were used for this purpose, it would be said that the dollar was worth 42 cents. According to both indexes, therefore, the value of the dollar has dropped by more than half since 1939, or, to put it in another form, prices have more than doubled.

When reference is made to a "48 cent dollar," we must keep in mind several important qualifications. For example, is the particular price index employed the most reasonable one available for a particular purpose? No index will accurately represent the purchases made by a given individual or firm. In this sense, everyone has his own price level or purchasing power of the dollar.

Another problem is encountered when price indexes are used for purposes which require a high degree of precision. For example, the fact that the consumer price index declined or rose a tenth of a point in a given month is often offered as front page news. Those who construct such indexes hardly ever claim such a high degree of accuracy for their product. If the consumer price index were "rounded" to the nearest full percentage point, it would be unchanged from April 1958 through May 1959, the latest figure available.

Other problems are presented by the difficulty of obtaining accurate price quotations in periods of scarcity or abundance. Under such circumstances, special concessions may significantly affect prices actually paid even though list prices remain relatively stable. Another difficulty is encountered in periods, such as 1946, when many kinds of goods are not available in usual qualities and styles.

Comparisons of price movements over long periods of time involve ad-

ditional difficulties. This is because of the introduction of new products, changes in the characteristics of existing products and changes in the proportions of income spent in various ways. No method has been developed to allow for new products and quality improvements in price indexes.

The limitations discussed above do not mean that available measures of the purchasing power of the dollar are without significance. They provide, in a general way, a means of evaluating the nation's success or failure in combatting inflationary pressures. Their limitations are most troublesome when precise measurements are desired.

—*Federal Reserve Bank of Chicago Bulletin.*

$2¾ BILLION OF LOANS

Mortgage were in second place during the first half of this year in getting the investment funds of the life companies.

But they were still pretty attractive investment-wise, accounting for $2¾ billion of life company funds.

Their largest block of new investments was the securities of industrial corporations, railroads and utilities, with half-year purchases of some $2,899,000,000, up 2 per cent over the first six months of last year. About three-fourths of these securities were industrial and miscellaneous bonds, almost one-fifth were public utility bonds, and the remainder included railroad bonds and corporate stocks. U. S. corporate security holdings at mid-year were $45,951,000,000 compared with $44,615,000,000 at the start of the year.

New mortgages accounted for $2,735,000,000 of the half year's investments. This was an increase of 17 per cent over the first half of 1958. Total mortgage holdings at June 30 were $37,894,000,000.

State, county and municipal bonds of the U. S. represented investments during the first six months of 1959 of $336,000,000, a 37 per cent gain over last year's first half total.

The acquisitions of U. S. Government securities including the "rollover" of short term issues, totaled $2,795,000,000, a 35 per cent rise over the same period of 1958.

Over $3,000,000,000 of new capital funds were put to work in the nation's economy during the first half of 1959, through the investments made by the life companies.

Total assets on June 30 were $110,424,000,000, up 6 per cent from a year ago.

Aggregate investment acquisitions including reinvestments and "rollover" of government securities, were $9,698,000,000 in the first six months of 1959.

BOOM IN LIFE COMPANIES

Like practically everything else, there is a boom of sorts in the organization of life companies, not comparable to some periods in the past yet impressive when all the facts incident to organization are considered. There are now, 1,407 U. S. life companies, 81 more than a year ago and more than twice the number providing life insurance services ten years ago. This total, shown by an annual survey con-

ducted by the Institute of Life Insurance, includes all life insurance companies reported by the Insurance Departments of the 50 states and the District of Columbia as of June 30th, this year.

The vigorous population growth in all sections of the country and a regional shifting of industrial areas have been factors in the formation of a record number of life insurance companies in the past ten years. In concentrating on the life insurance potential of fast-growing areas, especially in the South and West, these newer life companies have experienced a rising pattern of growth and an increasing share of the amount of life insurance in force.

Life insurance company home offices are located in every state, with 20 states having twenty or more companies. Texas, which has led the state list for a number of years, had 314 companies domiciled there; Louisiana ranked second with 122 companies, followed in rank by: Arizona, 108; South Carolina, 53; Indiana, 51; Illinois, 49; Alabama, 47; Pennsylvania, 45; Arkansas, 37; Delaware, 36; Georgia, 32; Oklahoma, 32; New York, 30. Included in the survey for the first time are the new states of Hawaii with 5 companies and Alaska with 2 companies.

There are 326 U. S. cities with life insurance company home offices, led by Dallas with 141. Houston ranks second with 63 domiciled companies, followed in order by Philadelphia, 38; New Orleans, 36; Chicago, 32. There are 37 cities with 10 or more life company home offices.

Stock companies account for 1,256 or 89 per cent of the 1,407 companies, while 151 or 11 per cent are mutual companies. The majority of the older and larger companies are mutual and mutuals account for about 62 per cent of the life insurance in force.

As of June 30, 1959, there were 17 companies in their second century of operation.

Companies with over $1,000,000,000 of life insurance in force numbered 70 at mid-year.

HOUSING CENSUS COMING UP

Those in the mortgage business who are constantly bewailing the fact that the industry operates on fewer known facts than almost any other, can do a little backtracking as the result of the more complete information on residential financing which will be available as a part of the 1960 census of housing.

The program as presently planned will provide data on the mortgage status of residential properties, the size of the outstanding residential debt, and the manner in which purchase of owner-occupied and rental properties was financed.

Census enumerators will collect data in November and December of this year for a sample of some 300,000 dwelling units located in about 650 counties.

The first phase will involve a canvass of all dwelling units in the sample, primarily to obtain data needed about changes that have occurred since the 1950 Census of Housing.

The enumerators will record selected housing characteristics to be utilized in the residential financing program. In selected owner-occupied dwellings, the enumerator will leave a residential finance questionnaire, with a request that it be filled out and mailed to the local census office.

For rental dwelling units, the enumerator will obtain the name and address of the owner or agent to whom the rent is paid. Questionnaires then will be mailed to the owners of all rental properties in the sample.

After receiving the owner schedules for mortgage properties, the Bureau of the Census will send a questionnaire to the lender, to obtain additional detail about the mortgage and lender.

All residential properties, both occupied and vacant, will be enumerated if they fall within the scope of the sampling plan, whether they are mortgaged or not. However, certain types of properties will not be included in the basic residential financing tabulations. These excluded types are farm properties; publicly owned housing projects; and properties where more than 50 per cent of the floor space is used for business or commercial purposes.

Additional data on financing were collected in the National Housing Inventory of 1956. These data indicated that the number of mortgaged owner-occupied nonfarm, 1-unit dwellings increased between April 1950 and December 1956 from 7.1 million to 12.7 million. First mortgage debt on such homes increased in that period from $28 billion to over $77 billion; second mortgage indebtedness, from $0.9 billion to $1.7 billion.

All this information should prove valuable in many ways, some of which cannot be recognized at the moment. But what we learn won't be as frank as data uncovered in an earlier census. Seventy years ago, when the census of 1890 was being taken, owners of mortgaged properties were asked to state the reasons for their borrowing. Here are some of them: Extravagant living, Political purposes, Losses in speculation, To go west, Husband's debts and Fraud.

And more: Substitute in Civil War, Purchase money and dissipation, Horse trading business, Whip manufacturing, and loss of farm stock.

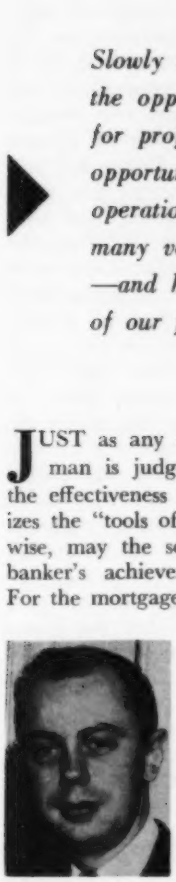
Some Mortgage Originators Have Learned That

Urban Renewal Can Be A Profitable Operation

Slowly but surely mortgage bankers are coming to the realization that the opportunities presented in urban renewal are just that — opportunities for profitable business. But a few mortgage bankers saw these opportunities a long time ago and have been active in 220 and 221 operations. Projects they have sponsored, or have been a part of, are of many varied kinds but every one has taken some vision and imagination —and hard work. Some of them are described here in this last of our four-part look at urban renewal today.

By ROBERT J. BERAN

JUST as any accomplished craftsman is judged by the skill and the effectiveness with which he utilizes the "tools of his trade," so, likewise, may the scope of a mortgage banker's achievement be measured. For the mortgage banker, too, has at his disposal certain "tools"—tools which if used fully and wisely can bring to him an increased volume of business, adding substantially to his mortgage portfolio.



Robert J. Beran

Among the many such tools of which a mortgage banker may avail himself, the newest—and, potentially, *the* instruments which could prove the most effective of any yet offered by FHA in its 25-year span of operation—are the two special-type mortgage insurance programs provided under Sections 220 and 221 of the National Housing Act.

Because mortgage bankers are the greatest users of government insured and guaranteed plans for housing, it is to each one's own special advantage to make use of and to do all he can to assure the successful continuance of the Section 220 and 221 programs. This is a point emphasized previously, but it is a point so very basic to the entire issue of urban renewal and the mortgage banker's role there-in, that it bears repeating.

Designed specifically to attract mortgage bankers into urban renewal operations, these special financing aids —the general provisions of which were outlined earlier in this series—are available *only* in urban renewal areas. Consequently, they offer to the mortgage banker a strong inducement to participate aggressively, and at the same time profitably, in this very vital phase of contemporary America's growth.

Recognized by many of the mortgage industry's leaders as "the wave of the future," urban renewal action is—even today—one of the most powerfully pulling currents in the stream of our American economy. From one end of the country to the other, in cities big and small, in giant metropolises and mighty industrial centers, the maintenance and renewal of urban vitality is a top issue of general concern. In its forward sweep, it draws support from business groups, political forces, civic groups, minority groups—literally, all elements of the population. Cities, despite a scarcity of land with utilities, are making land available to redevelopers; the demand for planning assistance has multiplied overnight; mayors have been re-elected and city administrations have been voted into office on the strength of urban renewal platforms.

Certainly, if as politicians are discovering, it is "good politics" to promote urban renewal then, surely, mortgage bankers as men of business should be alert to the obvious fact that to promote and to further urban renewal can, likewise, be "good business"—good business, indeed.

For the mortgage lender who chooses to invest in urban renewal, despite the complexity and the costliness of operations, there is—very definitely—the opportunity for profit. There is also a challenge: the challenge of bringing to bear all the analytic skills a seasoned, experienced mortgage man can command. For those who recognize the opportunity, for those who accept the challenge, the results will be rewarding; for urban renewal investment can—and does—pay off!

Regrettably, however, to date too few within the industry have dared to wade in—to get their feet wet. It is time they took the plunge.

One mortgage banker who *has* "taken the plunge" — much to his profit—is Dale M. Thompson in Kansas City, Missouri. His "Quality Hill" 220 redevelopment project, readers of these pages will recall, was discussed last month. Another, in fact, among the very first in the industry to have explored the possibilities in Section 220 and 221 financing, is Chicagoan Ferd Kramer, president of Draper & Kramer, Inc. He is unique in his field. Accepting the fact, a long time ago, that a mortgage banker no longer can sit back and wait for business to come his way—but, instead, must go out and bring in business, Kramer did just that. And, in instances where he was unable to convince his builder clients of the possibilities in promoting redevelopment projects, Kramer became the entrepreneur himself. Today, he operates in the triple-functioning role of: 1) entrepreneur, 2) owner-representative *and* 3) mortgage originator.

On Chicago's south-side lake front, almost at the front door of the city's central business district, Draper & Kramer, Inc.'s multi-million dollar middle income housing project—Prairie Shores—rises in testimonial to the validity of Kramer's business logic and the effectiveness of his salesmanship. Of the project's proposed five 19-story buildings, to contain 342 apartments each, one has been completed, a second is nearing completion and construction has begun on a third. Occupancy of the first began in July of last year; the second, renting now, already is 65 per cent leased.

If and when all five buildings are built, Draper & Kramer's mortgage portfolio will have been increased by approximately $15 million; and its management department rent collections will have been upped by considerably over $2 million, with the gross management commission totaling more than $110,000. The first building, alone, brought $2,872,800—the size of the 40-year mortgage which Draper & Kramer placed with a life insurance company—into the firm's portfolio. Rent collections on the building, for the first year, totaled slightly less than $450,000.

Equity money for the project—some $875,000—was provided by certain board members of the Michael Reese Hospital, on the western edge of which the project borders, and by other influential people in Chicago. These people put their money into the project for two reasons—it was essential to the life of the hospital, in which many of the investors had an interest and it was a *good, sound investment.*

This particular project, Kramer himself is quick to admit, may not pay back the money as fast as some luxury projects which have been built. "But, on the other hand," he points out, "it may be a more stable investment because the market for its apartments is much broader.

"Most experts in the field of housing and housing finance recognize that the crying need in this country is for middle income housing. This *is* middle income housing, at least in many parts of the country," he emphasizes, "because people with family incomes of from $5,000 to $10,000 can afford these apartments."

As the largest and most dramatic urban renewal undertaking in the country, Washington, D. C.'s "Southwest Redevelopment Area" — a 600-acre pocket of blight in the very heart of this nation's capital—is destined for transformation from an area of rock bottom slum to one of highly desirable residential, commercial and office building use. This project, which has already received nationwide publicity, may well become one of the outstanding demonstrations, to the nation and to the world, of America's dynamic approach to the problem of the inner city.

Appropriately enough, a mortgage banker and a long-time leader in the urban renewal movement—James W. Rouse, with offices in Baltimore, Maryland, and in Washington, D. C. —is playing a part in this grandiose undertaking.

Planned as a single, integrated neighborhood, the development is divided into several project areas for planning and disposition; and, in all cases, because of extreme decay and blight, almost 100 per cent demolition is contemplated. In the 80-acre section designated as "Area B," land acquisition and clearance has been 100 per cent completed, and construction is under way. This was the first of the major project areas to be approved. It's 442-acre "big brother" project—"Area C"—has the distinction of being the largest redevelopment project, dollar-wise and area-wise, ever to be passed upon by HHFA. In approving this project, the HHFA set aside a grant of $26.3 million to help finance the undertaking.

It is in project "Area B"—where, to encourage participation by private industry and to lend assurance that the project would be *completed,* construction was brought underway as speedily as feasible—that the James W. Rouse & Company, Inc. is providing a share of the financing, under FHA's Section 220 mortgage insurance program.

As a correspondent for John Hancock Mutual Life Insurance Company in the Washington, D. C. area, Rouse

	Elevator Apartment Project	*Town House Project*
Amount	$4,426,800	$1,355,600
Term	39 yrs. 8 mos.	39 yrs. 8 mos.
Interest	5%	5%
Price	98	98
Servicing Fee	1/10 of 1%	1/10 of 1%
Yield	5.05% to maturity after servicing.	5.05% to maturity after servicing.

& Company originated and is servicing the $5.8 million loan which permitted the First National Capital Redevelopment Corporation — a firm established by New York real estate operators Roger Stevens and James Scheuer — to embark in December, 1957, on the development phase of an "Area B" site on which they had held a leasehold since 1956.

The $5.8 million in John Hancock funds is being used to finance initial "Area B" construction, including an 8-story concrete and brick, air conditioned, 402-unit, elevator apartment building; and 81 rental, patio-type, "town" houses. Built in staggered rows, with living rooms and terraces planned to face green landscaped areas and with entrances and service rooms on the street sides, these houses represent a new way of improving valuable downtown residential land.

Included in the Rouse & Company mortgage portfolio is approximately $8,334,900 in 220 and 207 loans. The firm is servicing the loans at rates of ¼ per cent to 1/10 per cent; and, for placing these loans, the firm has earned some $40,000 in fees.

While activity to date under Section 220 has been, generally speaking, confined largely to the bigger cities, there are exceptions. Washington Terrace, Utah, just three miles south of Ogden, is one notable exception.

A temporary war housing project which came into being in 1942, Washington Terrace by war's end was rundown and far advanced along the road to blight. In 1950, its 6,000 citizens, having formed a nonprofit housing corporation, bought Washington Terrace from the Public Housing Administration. They put into operation an ambitious program of renewal and rehabilitation. One of the major obstacles confronting them was financing.

Ultimately, when financing difficulties proved insurmountable, the city turned its problems over to a single experienced mortgage lender who was both willing and able to put together the necessary financing package. The mortgage lender was Rulon F. Starley, vice president of the Commercial Security Bank of Ogden.

The bank, during the early working stages of the mass remodeling program, handled negotiations with FHA, provided construction financing and secured commitments from other lenders for the permanent mortgage financing. Finally, when the land acquired for expansion had all been used and it became necessary to place remodeled houses in the midst of old units, it was Starley who urged the community to seek the assistance of FHA's Section 220 program.

In 1956, Washington Terrace was granted HHFA approval as a non-assisted urban renewal project. This meant that the city was authorized to use FHA's special Sec. 220 mortgage insurance to finance the private rehabilitation of properties in the area, but it was not to receive planning advances, loans or capital grants from the Urban Renewal Administration in Washington. With Section 220 and FNMA assistance then available, the key financing impediments were removed and the project proceeded to completion.

During the life of the project, the Commercial Security Bank provided construction loans on 1,287 houses; it secured permanent mortgage financing from private sources and from FNMA for approximately $13.7 million; it provided, in general, the financing services and know-how that were essential to the consummation of nearly 1,300 separate mortgage financing transactions.

(Continued on page 32)

Appropriately enough, one of the largest urban renewal efforts so far has been in the nation's capital —appropriate because it is a place ripe for the kind of effort represented by urban renewal and because it has been an outstanding example of what can be done. The outlined portion shows the impressive scope of the project described here.

The House of Q

MY mother lived through three generations. She lived to see the world change more than it had changed in all the sixty-two generations between her birth and that far away time when a decree went out from Caesar Augustus that all the world should be taxed.

When Mother was born medicine was still almost as primitive as it was in ancient Rome. She lived to be 92, but I've never understood how she lived to be nine—in those days half the children did die before they were nine.

Perry Prentice

When Mother was born doctors had never even heard of a germ, let alone a virus or an antibiotic. They blamed diseases on "poisonous miasmas," whatever that may mean. They didn't know quite what to do about the miasma, but they did know something they could do about a fever, so they cured the fever. They cured the fever by bleeding you until you were too weak to be anything but subnormal.

The only way you could get to California when Mother was born was in a sailboat or a covered wagon. Back east they did have railroads, but you had to change trains three times to go from New York to Washington —one train to Philadelphia, a second train to Baltimore, to a third train to finish the trip. You had to change trains eight times to go from New York to Buffalo — and the tracks hadn't gotten to Omaha yet.

When Mother was born the only way you could light houses outside the city was with candles or whale oil lamps—and I mean whale oil, for that was before the days of kerosene.

When Mother was born there wasn't a single house in the whole United States that had central heat.

When Mother was born it was only 13 years since President Millard Fillmore had decided it would be all right to have a bath tub in the White House. And it was still against the law to take a bath in the city of Philadelphia between October and April. If you were caught taking a bath during the cold months, presumably they sneaked you out to the hoosegow to protect you against your suicidal tendencies. When Mother was born they did have a bathroom in her home—one door off Fifth Avenue in New York—but it had to be on the second floor because there wasn't enough water pressure in New York to run a tub on the third floor.

Well, Mother lived to be 92. She was born when Abraham Lincoln was in the White House, and maybe you think most of the changes Mother lived to see happened when Mother was young.

But they didn't.

Most of the changes happened after Mother was grown up. In fact, most of the changes Mother lived to see happened right in my own lifetime, and I'm not 92 yet. I'm 59.

And one of the many reasons I'm reconciled to having been born 59 years ago is that I too can remember, and remember clearly, a world that is gone with the wind.

I remember a world without even one airplane, a world where electric light was still something new — and people weren't quite sure they liked it.

I remember a world with only a few thousand automobiles — a world where my cousin had to have a groom on horseback ride ahead of his car to warn pedestrians to safety if he wanted to drive through our village.

I remember a world without paved streets outside the big cities, and my grandmother used to rent the village sprinkling cart each summer to sprinkle two barrels of crude oil on the street in front of her house to lay the dust.

I remember a world where you couldn't be sure of keeping meat fresh in the icebox over a long weekend.

I remember a world almost without screens—I used to be paid 10¢ a hundred for killing flies in the dining room and kitchen every day when we finished lunch.

I remember a world where the only labor-saving device Mother had was a girl she paid $8 a month!

I remember a world where a few people were unbelievably rich but most people unbelievably poor. And the average family's purchasing power in constant dollars was less than a quarter of what it is today.

The world I was born in is gone with the wind. The horses and carriages are gone, the steam locomotives are gone, the trolley cars are gone, the dusty streets are gone, the stiff collars are gone, the women's long, straight hair is gone, the $8-a-month maids are gone, the coal kitchen stoves are gone, the ice boxes are gone, and the ice men are gone.

The changes came so gradually that from day to day we hardly noticed that anything was different. But looking back over 59 years I suppose the only thing that is left of the world I was born in is the houses. Almost

Quality . . .

is up to lenders to provide

During the present period—the most active construction era this or any other country has ever known—the accent has been on volume with, no one will deny, some sacrifice of quality. But quality will, in the period ahead, be sought more than it has been in the past. "The income of the average non-farm family, expressed in constant dollars, has been going up between 2 per cent and 3 per cent a year, and that rise is compounded," says Prentice. "Already more than half of all non-farm families have incomes over $5,500 a year, and by 1980, at the present rate of change, the average family will have an income well over $8,000 a year—and I don't mean inflation dollars, I mean dollars of 1956 purchasing power. When the average family has an income over $8,000 a year, what on earth are we going to do with all of today's houses built for a much poorer market? . . . Here are more than 14 million able-to-buy prospects waiting for the housing industry to tempt them with something much better than the obsolete or obsolescent used houses they live in now—something much better than the housing industry has ever dared to build, something much better than its bankers have dared to finance."

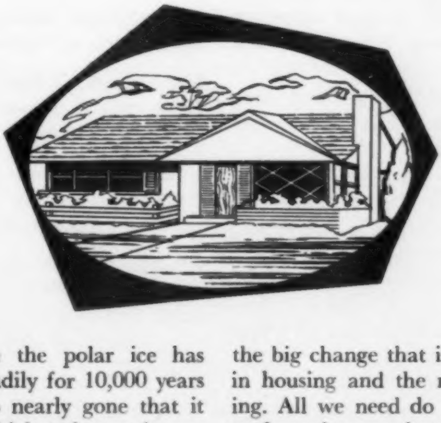
By PERRY PRENTICE
Editor and Publisher of House & Home

all the houses people lived in when I was born are still standing and still being lived in today, for in the past 60 years the American standard of housing has lagged far behind the meteoric rise in the rest of the American standard of living.

I have recalled these changes I have lived to see, not just because I like to look backwards, but to emphasize that right now, this year, almost everything in our world is still changing and changing and changing. In fact, it is changing faster than ever, and I believe it would be wise to figure that between now and 1980, before many of this year's mortgages are amortized, our world will probably change more than it has changed in the 59 years since I was born or the 94 years since Mother was born. So the biggest mistake we can make is to plan for tomorrow as if tomorrow's world would be any more like today's world than today's world is like the carless, planeless, movieless, radioless, televisionless, atomicless, almost medicineless world into which I was born.

I have no crystal ball to show what all these changes will be, any more than anyone back in 1899 could have dreamed up today's world of jet travel, moon rockets, antibiotics, television, plastics, synthetics, super highways, cosmic rays, and atoms for peace.

But some times we can read the future, not by looking forward, but by looking backward and then projecting the present. For example, we don't need a crystal ball to see that within the lifetime of men now living the Arctic will be an open ice-free ocean that big ships can cross from London to Tokyo as freely as they now cross from New York to Southampton, because the polar ice has been melting steadily for 10,000 years and it is now so nearly gone that it is only half as thick today as it was when Mother was born.



We don't need a crystal ball to see the big change that is almost upon us in housing and the market for housing. All we need do is open our eyes to four changes that are already well started, four changes that are now going on faster and faster, changes

that seem sure to make a tremendous difference in the kind of house it is prudent to finance.

First: a big change is taking place in the market for houses and who is buying those houses.

In most markets the shelter shortage is over; the American public is now better housed than ever before, thanks to the 13 million new homes the housing industry has built since World War II.

The price of used houses built before 1950 is falling, and . . .

No matter how much the builders cut their costs, today's wages and today's material prices make it almost impossible to build stripped-down cheap models cheap enough to compete on a price basis with the falling prices of second hand units.

Even in booming markets like Los Angeles two new houses out of three are being sold to second-time buyers trading up to better homes, and this proportion is growing. Soon three new houses out of four may be sold to second-time buyers, and then four new houses out of five.

In most markets enough good used houses are becoming available to meet all the needs of first-time buyers who cannot afford a really good new house.

The millions of two-bedroom houses built right after the war are fine for young couples just starting out, but their present owners have outgrown them.

And here comes the $64,000,000 question:

If the housing industry builds new houses for the people who ought to be providing the re-sale market for all these outgrown little houses, how can the present owners of those outgrown homes unload them to buy the much better homes they can now afford?

And now let's take a closer look at the second big change that is sure to affect mortgages:

We can build much better houses today than ever were built before.

For years the change in houses has come along so slowly that most people have hardly noticed what was happening. Millions of families who wouldn't be seen dead in a five year old car are proud to live in a fifty year old house and prouder still to live in a 100 year old house, and it is fashionable for smart people to say houses were built better in the good old days.

That's all right to say—provided you don't believe it, because of course the truth is we can build houses today that have it all over yesterday's best, houses that are better in every way.

The truth is that yesterday's house is just as obsolete as yesterday's car—and by yesterday's house I mean most of the houses built before the War, perhaps half the houses built since the War. I also mean that my own very beautiful neo-colonial built in 1924 is obsolete.

WE CAN AFFORD QUALITY

Let's consider a few specifics about why yesterday's house is as obsolete as yesterday's car.

Yesterday's house, including my house, lacks adequate wiring for today's standard of electrical living, let alone tomorrow's standard of electrical living.

▶ Yesterday's house, including my house, lacks adequate insulation, so it costs too much to heat in winter and too much to cool in summer.

▶ Yesterday's house, including my house, isn't planned for easy housework—it's planned for servants, and the servants are gone.

▶ Yesterday's house, including my house, doesn't have enough baths.

▶ Yesterday's house isn't air conditioned—and Norman Mason has warned that within a very few years every one is going to expect air conditioning and any house without air conditioning will be obsolescent.

▶ Yesterday's house, including my house, leaks air like a sieve.

▶ Yesterday's house has too few windows—and those windows aren't weather tight, either.

▶ Yesterday's house has no roof overhang to protect the walls, so the walls need too much maintenance.

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▶ Yesterday's house has too many steps to walk and too many stairs to climb.

▶ Yesterday's house has a garage too small for today's bigger cars.

You name it—almost everything about yesterday's house is wrong for today's way of life and today's standard of living. No one of these faults by itself is serious; almost all of them can be corrected if people are willing to spend enough money to correct them. But taken together they sure enough add up to this—yesterday's house is as obsolete as yesterday's car, and it will cost hundreds of billions of dollars to replace all the obsolete houses or to fix them and patch them and modernize them so they won't be obsolete any more.

And that brings up the third question:

The security is much better when a mortgage is on a better house.

Building anything less than a quality house wastes too much money—lender's money as well as the home owner's money — because when a builder builds anything less than a quality house he soon finds he has to take value out of his product much faster than he can take dollars out of his price, for two reasons:

The first was put into eleven words by Rudard Jones, Director of Home Building's No. 1 Construction Research Center, The Small Homes Council at the University of Illinois. Says he: "All your costs come down as your floor area goes up." Everybody wants more space, and more space is the cheapest thing you can add to a too-small house. In most cities basic space costs at least $10 a square foot — but a good builder

should be able to add more space for less than half as much; so a 1,000 sq. ft. house, with all the rooms just too small to be pleasant and livable, costs $10,000 to build—but a 1,500 sq. ft. house, with all the rooms a nice size and a family room *added,* would cost only $2,000 to $2,500 more!

Reason No. 2 is why, dollar for dollar, the Quality House offers so much better value: Labor is the big cost in building, and it takes no more labor to install quality products than it takes to install minimum products that just get by FHA and the codes. For example: It takes no more labor to install a 40-gallon long-warranty water heater than it takes to install a cheap 30-gallon heater that will hardly last out a year.

It takes no more labor to install a 250 lb. self-sealing asphalt roof than it takes to install a 210 lb. FHA minimum roof that will have to be replaced years earlier at a cost of at least $300.

It takes no more labor to install vinyl asbestos flooring in the kitchen than it takes to install asphalt tile that will be hard to clean and won't stand up under kitchen traffic and kitchen grease—incidentally, the material cost of the vinyl asbestos should be less than 5c a sq. ft. more, or less than $5 more for a built-in kitchen.

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So the quality house is indeed a bargain.

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America is wiping out poverty so fast that the lower income family the politicians want us to build so many more homes for is already the vanishing American. Speaking in constant 1953 dollars and using Economist Miles Colean's projection of official Department of Commerce figures, the number of non-farm families with incomes under $3,000 has decreased by 70 per cent in the past 17 years, falling from 10,090,000 in 1941 to only a little more than 3,000,000 today!

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There are roughly 40,000,000 family-sized non-farm homes in America today. I seriously question whether even 15,000,000 of these 40,000,000 are the kind of house anyone will want to live in when the average family has over $8,000 a year to spend.

What are we going to do with the other 25,000,000? How are we going to replace them? And what sense does it make to go on building any more houses that nobody will want to live in when the average family can afford a better home than junior executives could afford just a few short years ago?

Already the average family can afford nearly twice as good a home as it now occupies.

Again according to Miles L. Colean: "There are 24,000,000 families today who could qualify FHA to pay as least $12,000 for a good home, but the new housing census indicates that there are only 10,000,000 units in today's housing inventory priced for that 24,000,000 unit potential.

"More than 12 million families could qualify FHA to pay at least $17,000 for a better home, but the housing census indicates that there are only four million units in today's housing inventory priced for that 12 million unit potential."

Here is a shortage of quality homes even greater than the shortage of shelter right after the war. Here is a brand new market opening up for the housing industry just as the old

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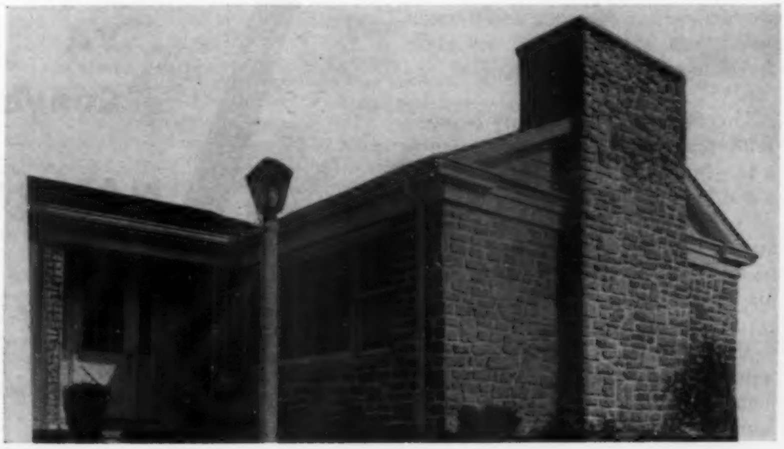

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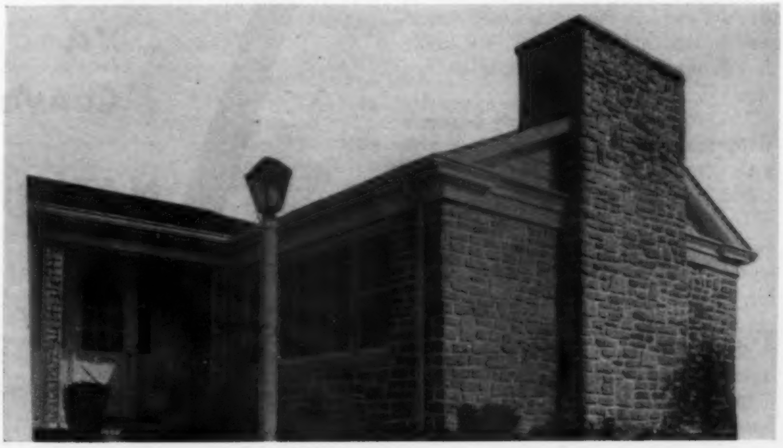


minimum house market is closing down—a market for more new quality houses than all the houses, big or small, that have been built since 1946.

Here are more than 14 million able-to-buy prospects waiting for the housing industry to tempt them with something much better than the obsolete or obsolescent used houses they live in now—something much better than the housing industry has ever dared to build, something much better than its bankers have dared to finance.

And that brings me at long last to the $64 billion dollar question:

What can lenders and bankers do about the quality house?

In one word, the answer is: "Everything."

If you get back of the quality house, the whole standard of American housing can be lifted overnight. If you don't get back of it, then the American standard of housing will continue to fall further and further behind the meteoric rise in the rest of the American standard of living. Says Harold Boeschenstein, Board Chairman of Owens-Corning Fiberglas: "We won't get very far selling quality unless the financial institutions that finance homes give more recognition to quality and value and predicate their loans on that recognition."

Says Miles Colean:

"The builder can't sell the consumer quality until the lender gets into the picture. In the complicated transaction of building, financing and selling a house the lender comes closer than anybody else to being the representative of the consumer. He is the one who has to live with the consumer's attitude for about thirty years. He, in a very good sense, speaks for the consumer, and his say-so on a product, which the consumer himself may not be able to judge, will make the difference between a sale or no-sale."

The future of the quality house is in the hands of lenders. And with it is the future of the American Standard of Housing. If the lenders insist on quality the home buyer will get quality and in getting quality the home buyer will get much more value for his money. If the lenders don't get back of quality, and reflect quality in their loans, and don't predicate the terms of their loans on quality, the home buyer won't get quality and the home buyer will get less for his money.

When one lender I know got sold on adequate wiring, every builder in town began putting adequate wiring into their houses. When another lender I know was sold on adequate insulation, 20 builders erecting more than a thousand houses a year in his town began putting in adequate insulation.

On the other hand, there is the builder not far from New York whose real estate salesman persuaded him to spend $500 extra for quality features the real estate salesman thought he could use effectively in his houses. The builder was quite excited about his decision to add these quality features and when the vice president of the savings bank that was financing him drove up to look at his houses the builder hurried out to tell him about these quality features. Said the savings bank vice president: "The home buyers don't appreciate quality and they won't pay for it. Don't waste your money on these quality items." And that was the end of that quality sale.

"In most markets the shelter shortage is over; the American public is now better housed than ever before, thanks to the 13 million new homes the housing industry has built since World War II. The price of used houses built before 1950 is falling, and . . . no matter how much the builders cut their costs, today's wages and today's material prices make it almost impossible to build stripped-down cheap models cheap enough to compete on a price basis with the falling prices of second hand units."

The future of the quality house is in the hands of lenders but when I urge them to get back of quality, I am not appealing to them as eleemosynary institutions—for I am satisfied that they have a bigger selfish stake in quality than anyone else except perhaps the U. S. Government that guarantees the mortgages.

Says Tom Coogan, the great elder statesman of the Home Builders: "Home ownership under FHA and VA is a new type of tenancy," and in a very real sense this is so. Today's home buyer puts so little money into his purchase that it is hardly more than a legal fiction to call him the owner. He buys the house with lender's money and, barring inflation, it may be ten years before he has enough of his money in the house to cover its depreciation.

If the lender is to be the real owner of the house for the first ten years and if the nominal purchaser is to be this "new type of tenant," then sound business judgment would dictate that lenders insist on the same quality standards they would insist on if they were building these houses for their own account.

A REPORT TO MEMBERS

I AM extremely proud and happy to be given the privilege of working closely with the many outstanding active leaders of our Association for the next twelve months, and I pledge you my best efforts to carry out my responsibilities as President in an effective and efficient manner for the best interests of all members.

Our Association is unusual in several ways and very fortunate in many. It is unusual in that it is the trade association of mortgage bankers but has within it as active participants both sides of the normal mortgage banking transaction—the originator or seller, and servicer of mortgage loans on the one side and the investor-buyer on the other. Each one is working for the best interests of mortgage banking as a whole, in the sound conviction that, in the long run, a strong, stable, and professionally-qualified industry is best for his side of the table, as well as for the man on the other side, and for the public at large.

B. B. Bass

As a matter of fact, the close working relation in MBA of mortgage bankers and mortgage leaders from the life insurance companies, mutual savings banks, and commercial banks is such that it is easy to overlook on occasion that our organization is the Mortgage Bankers Association of America rather than an association of all individuals and companies active in some manner in the mortgage business. This close, friendly cooperation is all to the good, most certainly, and we want to further it in every possible way.

I am firmly convinced that a strong, professionally well qualified mortgage banking industry *is* most important to institutional investors and to the public, and I am confident that the many far-sighted leaders in the investment sections of the life insurance industry, the mutual savings bank industry, and the commercial bank industry appreciate that fact and that they will help us become stronger and professionally better and better qualified.

The purposes for which MBA is organized are, among other things, (Paragraph 4 of Charter): "To preserve and improve the mortgage banking correspondent system and encourage its use in the making and servicing of mortgage loan investments; and, To encourage among its members sound business practices and methods in making, marketing, and servicing of real estate mortgage loans."

While there will be some differences of opinion of the best definition of a mortgage banker, the term generally contemplates, I think, a company that originates loans in its own area and sells them to investors in a wider area under long-term investor-correspondent contracts which provide for complete servicing of the loans throughout the life of those loans. Mortgage banking is under competitive pressure today by an increasingly large number of individuals and companies which originate, sell, and service loans for reasons other than developing and maintaining a high-type, permanent and profitable mortgage banking business. These companies cannot be expected to have the same interests, standards, policies and objectives as mortgage bankers who are, first, mortgage bankers, and perhaps secondly, something logically associated with mortgage banking.

It is most important, in my opinion—and perhaps essential for the mortgage banking industry—to work for and justify recognition as an independent, separate, and distinct member of the financial fraternity—a member who meets a real need for both the investor and the borrower in a reliable and professional manner from every point of view. MBA is the only trade association dealing with the common problems of the mortgage banking industry and, as such, is the logical and proper vehicle to work for these objectives.

Obviously, to accomplish these objectives, mortgage banking companies must be adequately financed and staffed with qualified men and women. This cannot be done for long without adequate compensation for the mortgage banking operation itself. Our mortgage banking industry is therefore necessarily and logically concerned with adequate compensation for the origination and servicing of loans. Those individuals and companies who participate in the mortgage business as a side line or affiliated activity of some other industry or profession might well be in the mortgage business and perform most or possibly all the mortgage banking functions; but they are certainly less likely to have the interests, viewpoint, and objectives of the mortgage banking industry itself and thus might not be able to conscientiously join with, nor support, the legitimate and necessary objectives of MBA.

It is no doubt due to these facts that two of MBA's requirements for membership as a Mortgage Banker are (1) that his *principal* business be the originating, financing, closing, selling and servicing of mortgage loans on real estate and that his business not be directly or indirectly by interlocking directorship or stock ownership or otherwise operated principally for the benefit or in support of another business enterprise not engaged in mortgage banking. And (2) that he shall have had a continuing business for at least five years immediately prior to the date of application for membership. (This requirement may be modified upon satisfactory determination that the principals have had adequate experience and training in mortgage banking.)

A sound mortgage banking operation is not a part time nor side line business. It demands the best efforts of a well-rounded, experienced organization with high-type management control and a considerable amount of risk capital. MBA is dedicated to promoting that type of mortgage banking operation throughout the country and I speak for all your officers and board members when I earnestly solicit your suggestions and active support.

B B Bass –

PRESIDENT

ANALYZING THE MORTGAGOR'S

Character and Capacity

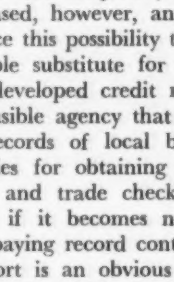
Of all the many great changes which have appeared in mortgage lending during this generation, none is greater in scope and influence than the changing pattern given the various factors which determine the risk. Over the years, as terms have become easier and easier, more and more emphasis has of necessity been placed upon the mortgagor's character and capacity to meet his obligations. Mr. Stacy looks at this development within the industry and has some suggestions.

THE ERA that began with the housing boom of 1945 has been principally noted for the continual erosion of that once vital element of all mortgage transactions—the equity of the borrower. Each succeeding housing bill since the end of World War II has reduced the down payment requirements on government insured loans to a point where it is presently difficult, if not impossible in many instances, to find any real investment on the part of the proposed mortgagors. It may be felt that such loans constitute a relatively small percentage of the total number of new mortgages recorded each year, but the fact remains that the lending patterns and trends of government-backed commitments cannot be ignored and the effects of minimized down payments and increased terms for repayment have been reflected in nearly all phases of the mortgage lending industry. This transition has necessitated an increasingly more thorough and intensified analysis of the character and capacity of the borrower, for with the equity reduced in many instances to a meaningless and impotent "deposit," these aspects of the transaction take on added importance if costly delinquencies and foreclosures are to be avoided.

The character of the applicant for a mortgage loan is probably the most difficult element of the entire proposal to evaluate, for included under this heading such personal traits as reputation, family and social relationships and attitude towards obligations must be considered. Obviously there are specific although flexible limitations, horizontal as well as vertical, beyond which it is either impossible or impracticable to penetrate in an analysis of this nature. The extent of investigation necessary to establish an acceptable debt paying record and standards of character normally associated within the community may vary widely between individuals, but unless there is adequate data to reflect a reasonable span of adult life, the possibilities of errors in judgment on the part of the credit analysis will be in direct proportion to the extent that such facts are omitted. The initial impression of an applicant is usually gained from an interview or a preliminary examination of the application form wherein such qualities as frugality, foresight, employment stability and potential as well as adequacy of income for the contemplated loan may be evident to the experienced loan officer. First impressions can be and frequently are erroneous or biased, however, and to counterbalance this possibility there is no acceptable substitute for a timely and well developed credit report from a responsible agency that has access to the records of local businesses and facilities for obtaining personal histories and trade checks from other cities, if it becomes necessary. The debt paying record contained in such a report is an obvious guide to the manner in which creditors may anticipate repayment of obligations and there is no basis for assuming that the loan under consideration will be given preferential consideration despite the fact that it is secured by a first mortgage on real estate. A history of slow, troublesome or delinquent payments is adequate cause for discontinuing further study of any application accompanied by such a credit report and the entire proposal should be rejected

By **ROGER L. STACY**

Chief Mortgage Underwriter, Mortgage Investment Corporation, Richmond



immediately for any of these reasons unless there is substantial evidence of extenuating circumstances elsewhere in the file and the characteristics of the secondary market are such that deviations of this nature can be accepted. In those instances, final determination may be withheld pending receipt of detailed information in writing from all concerned explaining the circumstances responsible for these conditions and the measures effected to prevent reoccurences.

The vast mid-area between this type of report and those reflecting an unblemished record is where the credit analyst will of necessity have to concentrate the major portion of his abilities and, accordingly, it may be assumed that the extremities have been excluded and the comments from this point directed toward the remainder. The presence of one or more accounts, on an otherwise acceptable credit report, that are identified as being something less than satisfactory may or may not be an indication of potential collection difficulties. Normally, a report of this nature is closely examined to establish the types of credit being utilized and to determine whether or not certain accounts have been given preferential treatment. Such an examination might reveal for instance that unsecured obligations were neglected in favor of those collateralized with some tangible and important asset. This could, in all probability, be regarded as an admission of respect for those in a position to enforce payment and simultaneously reveal the lack of moral responsibility to maintain an equally acceptable paying record on debts less readily collectable. Repeated and extensive use of small loan and signature bank credit may well be important clues to the lack of ability to properly manage personal affairs or even foresight in anticipating and providing for financial requirements in advance, neither of which can be reasonably disregarded when mortgage credit is contemplated. The identity of the creditor is still another clue for the mental impression which has been forming in the mind of the analyst. Extensive or excessive use of "luxury" credit might well be an indication of an attempted standard of living inharmonious with the income available and persistence in this direction could seriously hamper an otherwise satisfactory record of mortgage payments, should the loan be approved.

These illustrations are intended only to illustrate a few of the many avenues of approach which should be fully expanded into an exhaustive study when the circumstances of the transaction under consideration warrant the time and effort involved, but in every instance the applicant's debt paying record must be classified as acceptable or better before other qualifications are taken into consideration. Occasionally, matters of public record such as non-responsibility notices, separations, divorces and various entanglements with law enforcement agencies will be included and cannot be disregarded. The first two named might be indicative of impending marital problems that could result in divorce proceedings with attendant financial burdens and loss of interest in continued ownership of the property, while the inability to comply with accepted standards of conduct might reflect a character defect of sufficient importance to justify declining the application. In any event, comments of this nature should be carefully investigated to establish the degree to which the soundness of the loan would be affected, assuming a decision has been delayed until such time as supplemental information is available. The remainder of a complete and well prepared credit report generally serves to confirm facts and data available elsewhere in the exhibits being studied. Significant discrepancies in the names, initials, ages, numbers of dependents, employment statistics and the identity of and approximate amounts owed should be closely reconciled to obviate any possibility of subsequent confusion arising through a similarity of names or errors originated in preparing the credit report.

The capacity of an applicant to assume the monthly mortgage payments and attendant costs in connection with the ownership of the property being offered as security for the loan is not always a matter of elementary arithmetic. There are admittedly many instances wherein the addition of a few figures will establish beyond any reasonable doubt that the available income should be wholly adequate, or inadequate as the case may be, for all of the applicant's personal and housing expenses. As noted with the consideration of credit reports, however, it is again the medial area with which the analyst will be most actively concerned, for a large percentage of all mortgage transactions present problems of varying intensity in this respect. Innumerable, and in some instances arbitrary, formulas and rules of thumb have been devised over the years by representative segments of the real estate and mortgage lending fields and without exception they have all had one common purpose—to define within comparatively inflexible boundaries, the limitations of accept-

ability from an income standpoint. A few of these criteria have been modified and refined with the passage of time to a point where reasonably accurate results may be expected, but the majority have no basis for serious consideration and for practical purposes may be disregarded. For these reasons the only approach to the income qualification problem that appears to hold promise of producing consistently sound loans is that of analyzing each transaction on an individual basis. This is essentially the procedure that has been used by FHA since its inception in 1934 and it entails the accumulation of documentary evidence of all income and expenses of the proposed mortgagors as well as the pertinent factual data on the property being purchased. With these figures arranged in an orderly manner, the analyst can accurately determine the required monthly mortgage payment, the entire housing expense including allowances for utilities and services as well as the total amount of fixed monthly payments to give recognition to the personal obligations already in existence. The dollar differential and percentage ratio of each sub-total may then be related to that portion of the confirmed income that can be acknowledged as having adequate stability for a long term mortgage loan, after making allowances for federal income taxes withheld. If the transaction is unacceptable for the mortgage pattern requirements of the secondary market or the limitations of a governmental agency as presented, this approach will usually indicate the remedial action necessary for approval, whether it be in the form of a reduction in the amount of the loan or an adjustment or elimination of the outstanding obligations. Frequently, assuming the financial capacity exists, an effective counter-proposal can be developed that will not only permit qualification and acceptance of the loan but in addition actually serves as a guide for the potential borrower against the possibility of over-extending credit. This process is admittedly more time consuming that some of the other methods presently in use, but the benefits to be gained will be reflected in fewer collection and delinquent accounts, lower foreclosure ratios and higher over-all margins of operating profits.

It will be recognized that the considerations outlined here are not intended to present a comprehensive study of or procedure for determining the degree of risk inherent in all mortgage submissions, nor has any attempt been made to define the limitations of acceptability. Such decisions remain the responsibility of the credit analyst and the wisdom, foresight and humanity with which these decisions are made will ultimately contribute materially to the success of his company and add stability to the real estate market in the area it serves.

▶ LIFE COMPANY LEASES: Lease financing has become an important investment channel of the life companies and about $2,500,000,000 is currently invested by them in various types of property under rental contract.

Of this, well over $2,000,000,000 is commercial or industrial financing and over $400,000,000 is rental housing.

Many thousands of rental contracts are now held by the life companies, almost entirely the product of the past 15 years. At the close of World War II, less than $150,000,000 of property was held by the life companies for rental purposes, largely the first experiments in rental housing and some small commercial investments in states that did not restrict this type of financing. It was during the 1940s that the investment laws of some of the key states, including New York, were revised to make such investments permissible and by now many life companies have some funds at work on this basis. Purchase-lease financing is well-known and has been an established lending process with many mortgage bankers actively engaged in it; but many other lease operations of the life companies are not so familiar.

A large part of the lease financing is improved real estate, but there is also a considerable volume of miscellaneous items, including boxcars, locomotives, fleets of salesmen's cars and ships.

A post office in Omaha is under lease to the U. S. Government, totally financed and owned by a life company.

Several thousand freight cars and diesel locomotives are on lease to one

(Continued on page 35)

Servicing Tips from the Top

A monthly department about Mortgage Loan Servicing conducted by W. W. Dwire, Citizens Mortgage Corp., Detroit, and member, Mortgage Servicing Committee

The Check Is The Deposit Slip In This Time Saving Operation

Originally developed by the Systems and Procedures Department of the T. J. Bettes Company, Houston, this unique plan calls for use of the collection check as the deposit slip—with the savings in time and cost readily apparent. After two years' operation, the plan has more than fulfilled its expectations. This account of how it operates is from The Mortgagee, magazine of the firm, and published here with permission

EARLY in 1957, the T. J. Bettes Company Systems and Procedures Department surveyed the methods of depositing daily collections to our Investors' Custodial bank accounts. This survey revealed twelve hours were expended each day in three major clerical operations. *First,* the IBM lists of daily collection reports were analyzed by the accounting department to determine the amount to be deposited in each bank account. *Second,* a typist typed the necessary checks to be deposited in each bank account. *Third,* an accounting clerk prepared a deposit slip for each check.

From the survey it was readily decided that the deposit to the Custodial bank accounts could be expedited by expanding our IBM data processing procedure for daily collection reporting. A system could be installed to write the checks on machines but there remained one obstacle to overcome, the manual preparation of deposit slips for the checks. In the discussion that ensued, a suggestion was submitted that we prepare checks in duplicate, with the carbon copy on plain paper labeled 'deposit slip.' We were at first concerned with whether our commercial banks would accept a carbon copy of the check as their deposit slip because of the variations in size and color and terminology. We prepared samples of the new form and sent them to each bank with an explanatory letter asking if they would accept the sample form as a deposit slip.

The T. J. Bettes Company has always received excellent cooperation from all commercial banks and this project was no exception. The banks not only accepted the proposed deposit slip but they gave their enthusiastic support to the system. In September, 1957 the new system was installed. Since then it has resulted in a substantial savings in clerical effort, but more important, it has proven to be a more expedient method of processing the daily deposits to the investors' bank accounts.

The mechanics of the system involve punching a summary card for

each Investor's collection report as it is printed on IBM machines. These summary cards contain the amount of escrow, service fees and amount to be remitted to the Investor. A code representing the bank account in which each of these items is to be deposited is also punched in the summary card. The summary cards are balanced to the daily collection reports and sorted in bank account code sequence. At this point in the procedure it is necessary to identify the bank account codes. We maintain a punched master description card for each bank account. The master description cards are merged in front of the summary cards by bank account codes. One check for each Investor bank account is then written on an IBM printer. *(See example A).*

The checks used in this procedure are continuous form with a carbon copy. The original is the check and the carbon copy is a deposit slip which reflects the payee, title of account and amount of the check. After the checks are written and balanced they are mailed with the deposit slip directly to the banks. *(See example B).*

DATE		
MO.	DAY	YR.
9	30	57

T. J. BETTES COMPANY
HOUSTON, TEXAS
THIS CHECK IS VOID IF NOT PRESENTED FOR PAYMENT WITHIN 60 DAYS FROM THE DATE HEREOF

35-2
1130

No. 7

AMOUNT OF CHECK
$ ****386 | 93

T J BETTES CO.

PAY TO THE ORDER OF TEXAS NATIONAL BANK
HOUSTON, TEXAS

FOR THE ACCOUNT OF
T J BETTES COMPANY, TRUSTEE
FOR BANKERS LIFE INSURANCE COMPANY
FHA MORTGAGE ACCOUNT

T. J. BETTES COMPANY
CUSTODIAL ACCOUNT

TEXAS NATIONAL BANK
HOUSTON, TEXAS

AUTHORIZED SIGNATURE

Above, example A, the deposit check. Below, example B, the deposit slip.

DEPOSIT SLIP

DATE		
MO.	DAY	YR.
9	30	57

T. J. BETTES CO.
Check No. 7

CHECK	DOLLARS	CENTS
35-2 1130	****386	93

AMOUNT OF DEPOSIT

DEPOSITED WITH TEXAS NATIONAL BANK
HOUSTON, TEXAS

FOR THE ACCOUNT OF
T J BETTES COMPANY, TRUSTEE
FOR BANKERS LIFE INSURANCE COMPANY
FHA MORTGAGE ACCOUNT

There Has Been a Great Saving In Time Spent

The system presently requires about one hour per day to process on IBM equipment. It formerly required three clerks each spending four hours per day to perform the necessary accounting for deposits, typing the checks and manually preparing a deposit slip for each check. In addition, we eliminated the need for about 350 rubber stamps that were necessary for the manual preparation of the deposit slips.

As well as accelerating our daily operation, the system has relieved a slow and tedious process of manually reconciling our bank account each month. When the bank statement is received with the cancelled check we key punch a card for each check reflecting the number and amount. We match the check number and amount in these key punched cards with the summary cards produced when the checks were written. All summary cards that do not match the returned checks are listed to record the outstanding checks. Reconciling the bank statement under the manual system required the full time of three clerks two weeks each month. Using the new system it is reconciled by the Accounting Department in one day utilizing the services of only one clerk.

After two years experience we have found this system to be harmonious and efficient knowing full well it was possible because of the excellent cooperation of the forward thinking commercial banks with whom we are privileged to do business.

Call a Halt to the Delinquent Before He Becomes Chronic

There's a never ending series of ideas and plans about curing delinquencies and this one may seem at first glance to be a bit severe. Yet the proof of its merit is that it's worked.

By **JERRY GUTTENBERG**
Controller, Michigan Mortgage Corporation, Detroit

IN OUR Company, we have made it a policy that no mortgage payment will be accepted when made at our office after the 16th day of the month until the mortgagor has spoken with a member of our Collection Department. We feel that a personal interview with the mortgagor, even though he may be making the current monthly payment late, may benefit both the mortgagor and the mortgage company. We explain to the mortgagor that he is wasting money on late charges and, with proper budgeting, can put the late charge money to other uses. We also try to determine why the payments are made late and to offer suggestions that may cure this problem.

We believe that the personal interview in our office on a mortgage that is one month delinquent may help prevent this loan from becoming two and three months delinquent and eventually a foreclosure case. Some of the mortgagors have become so accustomed to paying the late charge that they consider it as part of the regular monthly payment and often the inconvenience caused by waiting to see the Collection Department has helped in forcing them to remit their payments before the grace period expires.

Another method used in handling delinquent loans is to send our own printed "Notice of Intention to Foreclose" on the 20th day of the second delinquent monthly payment. This form is signed by an officer of the company, notarized and it is sent certified mail. We must emphasize that this form has no legal significance and is merely intended as a weapon in hopes that the mortgagor may realize the seriousness of his position. We have found from past experience that in a good percentage of delinquent loans where this form was sent, results have been favorable in that the mortgagor has attempted to make some effort to cure his delinquency. The notice reads as follows:

Notice of Intention to Foreclose

TO: ....

................Loan No........

You are hereby notified that a certain mortgage by and between Michigan Mortgage Corporation, 2442 National Bank Building, Detroit 26, Michigan, party of the first part, and yourselves, party of the second part, is in default by reason of the non-payment of the installments of the principal, interest and escrow due thereunder, and you are hereby further notified that the said Michigan Mortgage Corporation elects to commence legal action under the terms of said mortgage.

You are hereby further notified that unless the payments of principal, interest and escrow together with all late charges due are *remitted immediately,* the party of the first part, Michigan Mortgage Corporation, elects and will without further notice to you commence FORECLOSURE PROCEEDINGS.

MICHIGAN MORTGAGE CORPORATION

Date............................

....

STATE OF MICHIGAN,
COUNTY OF WAYNE
ss.:

.... being duly sworn, says that he served a NOTICE OF INTENTION TO FORECLOSE, of which the above is a true copy, on the above mortgagors by addressing same to the mortgagors and depositing same in the United States Mails, postage prepaid.

Subscribed and sworn to before me this ...... day of ...., 19..

....

Notary Public, Wayne County, Michigan

My Commission Expires...........

(Urban Renewal from page 19)

The average dollar amount per loan provided by the Commercial Security Bank was approximately $10,600. The dollar amount added to the bank's mortgage portfolio was $160,000. Initial service charges and closing fees totaled $302,445; and, currently, the bank is receiving on these loans an approximate monthly servicing income of $5,687.50.

Today, Washington Terrace, Utah, as the nation's first completed non-assisted urban renewal project, may well be looked to as a splendid example of what urban renewal can mean—and what it can accomplish.

In Nashville, Tennessee, currently —as one phase of that city's Capitol Hill Redevelopment Program, in the very heart of downtown and adjacent to the State Capitol—construction, under Section 220, is proceeding on a 205-unit, high-rise apartment building. The sale of the land for this project was negotiated through Herschel Greer, president of the Guaranty Mortgage Company of Nashville.

Although, in this particular case Guaranty Mortgage is not handling the loan on the property, the company does have on its drawing boards another high-rise apartment, containing 170 units, and for which an application for an FHA commitment has been made. Once the plans are completed and approved, Guaranty Mortgage will sell the land—receiving a 5 per cent real estate commission, amounting to approximately $5,000. The company will handle the loan, for which it will receive a 1½ per cent initial service charge.

In Memphis, too, which only recently has been designated an approved, non-grant, urban renewal area, there is a flutter of 220 activity. Both W. D. Galbreath and Manny Delugach have several 220 loans in process, but none have actually been closed as yet. The Memphis MBA, however, is pursuing an active policy of awakening among its members a working interest in this area of urban renewal responsibility.

Active though he may be in 220 financing in the Nashville region, Herschel Greer actually is best known for his lending activity under Section 221. It is in this area of relocation housing that Greer is gaining a reputation as one of the country's foremost exponents of mortgage banker participation in 220 and 221 financing.

Through August 31 of this year, Guaranty Mortgage has closed 451 FHA Section 221 loans, totaling $3,883,650, for an average loan size of $8,611.19. There are an additional 63 loans in process (where a sale has been made, but the loan has not been closed) for a total of $549,250. And in the firm's files are 114 builder conditional commitments on houses unsold and/or under construction, with a dollar volume amounting to $968,800.

In other words, Guaranty Mortgage has closed — or has in process — an overall total of 628 loans, with a dollar volume of $5,402,700. Figuring at the rate of one per cent on total volume, Greer's company—when all loans are closed—will have been enriched by some $54,027 in service charges. Once the loans go on the books, the firm can look forward to an approximate monthly service income of $2,200—or, approximately $26,000 yearly. In addition, the firm is able to write the hazard insurance on most of the loans, thus bringing in additional income to its general insurance department.

Approximately 80 per cent of these loans are on new houses, leaving 20 per cent on existing property. Greer's operations are not confined solely to Nashville, but extend to many smaller mid-Tennessee towns — Gallatin, Clarksville, Franklin, Murphreesboro, Columbia, etc.

As Greer expresses it, "in the two years or so in which I've been handling these 221's, they have been a nice feeder to our regular mortgage loan operation."

He points out, too, that working in Section 221 also provides opportunities to profit from sales commissions for those mortgage bankers with sales organization set-ups as part of their operation. In his own case, for example, Greer has exclusive sale rights to all houses in one particular development being put up by a certain Nashville builder. For each house he sells, Greer will receive a 5 per cent real estate commission or—with the houses selling at $9,000 — $450 per house.

Despite slow progress generally, Section 221 activity in the South is, on the whole, moving along. It was in the South, in fact, back in 1956—in Johnson City, Tennessee — that this then-new, home-financing aid was employed in the redevelopment of a 121-acre residential slum; thus bringing to Johnson City the distinction — shared jointly with Wilmington, Delaware—of being the *first* "221 experiment" in the nation.

In Baton Rouge, Louisiana, Section 221 mortgage insurance has been approved by the HHFA to finance up to 810 units of low-cost private housing to help relocate displaced families. In certifying that city's need for relocation housing, the Administrator specified that at least 775 of the dwelling units be provided by new construction. In Mississippi—both in Laurel and Pascagoula—221 mortgage insurance is being used to finance low-cost housing units to help rehouse families displaced by the razing of temporary war housing projects. In Chattanooga, Tennessee, something like 500 new 221 FHA units have been built, and more are in the planning. In addition, several hundred older houses have been brought up to standard and sold under the 221 program. And in

Georgia, as long ago as November, 1958, well over 1,300 houses, in some 16 cities and towns, had been financed under Section 221.

Gradually, as realtors, builders and municipal governments become acquainted with the true potential of Section 221 insured financing, forecasts—which previously held the program to be impractical or unworkable—are being revised upwards.

In urban renewal, just as there are opportunities for the mortgage banker and for the investor, so is there opportunity for the builder. Because the main objective of the entire relocation program is to provide satisfactory housing for the families faced with displacement by government action, the liberal financing provisions available through the FHA Section 221 program could — theoretically — be a boon to builders in those communities which have received HHFA authorization.

If a fair appraisal is to be made, however, it must be acknowledged that there seem to be snares. While builders, generally, *like* the fast turnover of capital and the ready market for completed homes, they *dislike* the red tape and indecision at the local level and the low price ceiling, small profit margin. Small-volume builders, particularly, complain that the program favors the financier and the larger builder rather than the "average" builder who can't afford to tie up large amounts of cash. Generally, too, builders seem to prefer going into newer neighborhoods, where resistance is lower and profits are higher.

Also, builders feel that provision should be made to enable them to recover the higher marketing expenses they often-times encounter due to such special conditions as interracial buying, neighborhood blight not yet removed, lack of completed community facilities, etc.

Because a redevelopment project involves a much longer time period than the typical housing project, a builder very often must wait while project planning and land acquisition occur. Then, further delay is encountered while he negotiates with the local redevelopment agency for the purchase of the land. Such time lags and delays can be costly to a private redeveloper; as one builder puts it—"to a businessman, time is money."

In answer to builder complaints that urban renewal operations are too complex and too expensive except for *large* developers, William L. Slayton, vice president of Webb & Knapp, Inc., declares that "redevelopment is *not* limited to large-scale developers and rental elevator apartments." He points out that his firm is building single-family housing in Chicago, Washington and Philadelphia *in association with home builders.*

Some builders raise the objection that because of the low profit margin per unit they must build in volume—"in order to make out." And, as one builder points out, "in many cases, not enough commitments are issued to a builder at one time so he can get into volume production."

FHA urban renewal officials, in refuting this allegation, insist that there is no legal limit on the number of Section 221 homes a builder can build.

"The number of commitments he receives from FHA is set by the builder and the local FHA office on a reasonable basis," these officials say. "The builder can always come back for more commitments," they add.

Rental housing provisions of Section 221, likewise, should be of interest to builders, FHA feels; for, despite the fact that this Section must be operated under a non-profit corporation, the usual customary profits are authorized on land sale, building construction and management and legal fees. However, the past performance record would seem to indicate that American home builders prefer to work with housing for sale—the volume of rental housing construction with FHA mortgage insurance has *never* been great.

Jack Havens of Columbus, Ohio—where, in February, 1958, ground was broken for the first Section 221 rental housing in the country — is one builder-realtor who *is* making rehabilitation housing pay big dividends for him. Working with Section 221 since 1957, Havens has produced some 800 family dwellings; and, at present, he is fixing up about 200 units a year — some for resale and some for rental.

Dealing mostly with 30-to-50-year old buildings, he adheres to a simple rule-of-thumb formula: never spend more than 20 per cent of value on rehabilitating a property. Experience has shown, Havens proclaims, that to spend more takes a property out of its neighborhood class. Likewise, he never seeks a loan appraisal until he has rehabilitated, *first!*

Once he has raised his capital, either by borrowing money from an investor at 8 per cent or from a local bank on a 90-day note, Havens purchases the property and then rehabilitates with the same money or with special improvement funds secured through a local bank, FHA, etc. By setting up permanent financing at a local bank or savings and loan association, Havens oftentimes is able to get 100 per cent conventional mortgage financing and keep the property for rental. Or, because his appraisal is always over his costs, he can be fairly certain — generally — of getting at least 80 per cent financing, in this way.

That the housing industry itself acknowledges the builder's role in urban renewal was evidenced when, in speaking before the second annual Building Industry Congress for Urban Renewal, last February, in Washington, D. C., Lewis Cenker, chairman of the NAHB urban renewal committee, asserted: "The programs need us and we need the programs." And, in an address before the same group, George N. Seltzer, a past chairman of the committee, urged builders to recognize the opportunities in urban renewal and estimated that "a comprehensive urban renewal program could account for as much as 20 per cent of all housing units built during the next 10 years."

Urban renewal, though today a firmly established pattern on the American scene, is also—paradoxically enough—(in the words of Harry N. Osgood, director of the Sears, Roebuck and Company urban renewal division, in Chicago) "a pioneering effort, in its embryonic stages, to correct a condition which has taken 50 to 100 years to create."

Yes—50 to 100 years to create; but precious little time to waste in rallying together the forces with which to correct this "condition"—to correct and to combat it!

If ever America's ambitious plans for the broad-scale rebuilding of its cities are to reach full fruition—and if this great program, as now envisioned, is to be carried forward within the established channels of private enterprise — its success, ultimately, must hinge on the degree of cooperation attained between builder and developer, investor and mortgage banker.

Essential, indeed—if redevelopment activities are to be effective in those areas authorized for mortgage insurance benefits—is the full support of the municipal, state and Federal governments and all local civic organizations concerned. But—*the* combative force so clearly essential to the effective dispersing of all others is: *private enterprise participation.* As such, the mortgage industry of this country is in a position singularly well-suited to provide effective and sorely-needed support.

It is the mortgage banker who—in the absence, so far, of the development of any strong entrepreneural driving force in the overall urban renewal program—*can* and should assume the responsibilities of this function. It is the mortgage banker who must interest the developer—too few developers have become interested; and it is the mortgage banker who must convince his builder-client of the benefits to be derived from urban renewal development and rehabilitation under Section 220 and 221 financing. Most importantly, it is the mortgage banker who by virtue of his position in the hierarchy of finance must induce in his investor an interest in and a willingness to participate actively in urban renewal financing.

The builder and the developer must be sold on the idea of going into rehabilitation on a more massive scale; the investor interests must be sold on providing—from their vast reservoirs of capital—the required investment capital. In short, it is a "selling job" which needs to be done—and the mortgage banker is the man who *must* do it. He must lead the way in showing the builder—the developer—the investor—that urban renewal undertakings do add up to a sound business opportunity.

Those insurance companies and other large investors now investing in urban renewal projects are displaying "financial statesmanship" of the highest order. But, in a strictly practical sense, the building or financing of a *few* large redevelopment projects by a *few* large life insurance companies in a *few* large cities—however wonderful — is in actuality a mere surface scratch. It is just a beginning.

"What we need now," as one mortgage banker, W. D. Galbreath, president of Percy Galbreath & Son., Inc. in Memphis, so aptly observes, "is hundreds of financial institutions willing to finance a hundred units, or twenty units, or even one or two units, which are a part of these rehabilitation projects.

"We need local mortgage bankers all over the country, working with local city authorities, trying to stress the private enterprise concept in this program, and actually producing applications."

In the area of city code enforcement, too, the mortgage banker can and should assume a role of leadership. The neglect of many municipal governments to modernize and to enforce housing, building and zoning codes — if continued — can nullify a well-rounded urban renewal campaign. As HHFA Administrator Norman P. Mason warns, "it can make it dangerously lopsided. Unless these codes are enforced to the hilt, we are

in danger of firing our urban renewal dollars into renewal areas to no effective purpose!"

The mortgage banker, by volunteering to serve on city planning boards and commissions, and by cooperating closely in an advisory capacity with city officials, can do much toward streamlining outmoded policies and practices at all three government levels—city, state and Federal. He can, by entering into the initial planning stages of his city's urban renewal program, contribute substantially to the "tooling-up" of municipal machinery. And, in this way he will be doing himself a service—for, as a result of his efforts, he and his builder-clients will be better able to participate effectively in the financing of the city's urban renewal projects once a specific program is initiated.

It is—in simple perspective—a team proposition: at the municipal level, at the Federal level and at the prime source of money level.

For the mortgage banking industry there is a vital role to be played in this country's gigantic urban renewal effort; and under Section 220 and 221 financing, particularly, there *is* opportunity. There are also obligations.

"Grasp the one and discharge the other!"

LEASE FINANCING

(Continued from page 28)

of the big eastern railroads by another life company.

One life company has about 2,000 salesmen's cars on lease to several of the nation's big industrial and merchandising firms.

A giant container manufacturing concern now rents several of its factories from a life company instead of owning and operating its own plants.

A big new shopping center, one of the largest in the country, will open in New Jersey at the start of next year, involving 60 stores with a sales potential of $200,000,000 annually—ownership being with a life company in New England.

And of course many of the country's largest housing projects are owned by life companies, large-scale lease operations being handled by them directly.

One of the big Great Lakes steamships is owned by a midwestern life company and on lease to a shipping firm.

A whole business district in one of the country's big metropolitan centers was rebuilt by one life company and is in part operated as a gigantic real estate rental operation.

Jet conversion for one of the major airlines was materially eased by a rental program, financed by two life companies jointly, covering the engines to be installed in the new planes.

A research laboratory, a parts depot for a farm implement company, a baby foods factory, a shoe store, a chain of truck service branches, a telephone exchange building, a bottling works—those are a few samples of other lease financing projects handled by life companies over the past few years.

Largest Mortgage Meeting Ever Held . . . *anywhere, at anytime*

That was MBA's 1959 Convention

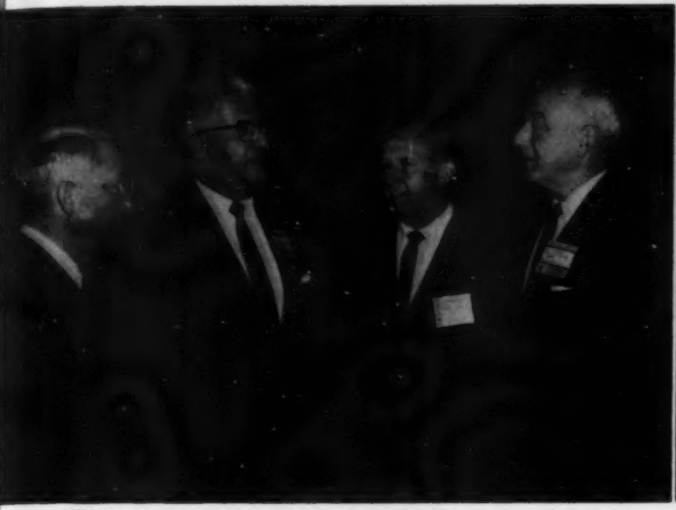
ONE MIGHT almost say that it happens from design—this recuring phenomenon at MBA meetings in recent years of something big always popping up, some pending development taking final shape, some announcement of far-reaching importance being made at just the time MBA members are getting together. There's no design of course and it's all merely a matter of chance, but it has happened time after time, at Conventions and at Chicago and New York Conferences. The New York Convention of 1959 was no exception. This time the largest gathering of MBA members, the largest gathering of mortgage people at anytime anywhere, heard of the increased FHA rate and carried on their deliberations in an atmosphere of the greatest capital stringency in many areas of credit since the bank holiday of 1933. In some of these areas, credit was more expensive and harder to get than it had been since considerably before that depression low.

And when you begin comparing anything with conditions that existed in those troubled days of 1933, it's natural that, here and there, people can be found to express grave doubts of the future, misgivings, fears for tomorrow. But none of that existed at the New York Convention when, admittedly, money to work with had reached unprecedented heights in cost and was even more difficult to get; but the concensus was that it is a phase that will pass. Fact is, almost never before in the history of this country were there so many wanting to do so much at the same time—and that all adds up to a demand for money of unparalled proportions. It also added up to another very simple fact: there just isn't enough to go around and the country's central credit authority has made it plain that the wraps are on to stay for a while to help in thwarting any further inroads of inflation.

So, in New York, it was tight, tight money. Never before had originators of mortgage credit met when money was so restricted. But for mortgage bankers, as tight as it was, it wasn't quite so difficult as it was for many other types of borrowers who, since earlier in the year, had been feeling more and more the tightening screws of the credit squeeze. Mortgage men would, they themselves agreed, feel it more toward the end of the year and in the forepart of 1960.

Despite all this, a down-under optimism prevailed. This fluid market, this market of many contradictions and hard-to-explain situations cannot—will not—go on forever. There is a great deal of straighten-

>> Opening session program participants (photo at left) get together informally before taking their places on the speakers platform. From left to right: MBA President Walter C. Nelson, of Minneapolis; incoming MBA President B. B. Bass, Oklahoma City; Art Gilmore, radio and TV announcer and actor who narrates the MBA motion picture, "The Road to Better Living," which had its premiere showing at the Convention; John deLaittre, The Farmers & Mechanics Savings Bank of Minneapolis. Mr. deLaittre is serving this year as president of the National Association of Mutual Savings Banks. Next, (photo at right) the Honorable Nelson A. Rockefeller, Governor of the State of New York, and a key speaker at the Convention's opening sessions pauses a moment at the rostrum to direct a remark or two to President Nelson.



>> Tuesday morning speakers: Dale M. Thompson, City Bond & Mortgage Company, Kansas City, Mo.; Carl T. Mitnick, Collingswood Construction Corporation, Collingswood, New Jersey, and president, National Association of Home Builders; MBA President Nelson; Carey Winston, The Carey Winston Company, Washington, D. C. Next, a trio of speakers who appeared before the Convention at its third general session, on Wednesday: Dr. Arthur R. Upgren, Macalester College, St. Paul, Minn.; Deane C. Davis, National Life Insurance Company, Montpelier, Vt.; Perry Prentice, editor and publisher, House & Home Magazine.

ing out to do and one way that is going to happen is that, as the months wear on, many borrowers are not going to pay the costs which the market is asking. That means that many things which go into what we call progress and prosperity aren't going to get done; but as they all come out in the wash, the net result is sure to be a good measure of progress and prosperity.

MBA's New York Convention was a record—in more ways than one. It was the largest by far—3800. They came from every state, and from some states the representation was nothing less than phenomenal. In fact, it was said by some long-time observers of MBA meetings that just about everyone who has in the past attended an MBA meeting was on hand for New York. They came from Canada, Hawaii, Alaska, Puerto Rico—registrants from places such as these are news no longer. The program was billed in advance as one of the best ever offered at an MBA meeting and, happily, it turned out just that way—a most constructive, worthwhile offering.

But what went on, what was said in New York—outside the lighter side of the program, that is. If you were there, you didn't hear it all, couldn't possibly have heard everything. Then these excerpts from a set of speeches as important as MBA has ever presented on one occasion may be helpful.

>> The Convention's final morning session was devoted to an all-government symposium discussion. In photo at left, Walter C. Nelson and Samuel E. Neel, MBA general counsel, flank the four Capitol Hill representatives who participated: FNMA President J. Stanley Baughman; Philip N. Brownstein, director of the VA loan guaranty service; HHFA Administrator Norman P. Mason; FHA Commissioner Julian H. Zimmerman. Photo at right shows the extent of attendance at the first session. It is estimated that at the height of the morning's program, some 2,700 persons filled the auditorium—setting, certainly, something of a record for attendance at any one single session.

Rigid Controls and Government Fiat Have Big Role in Sharp Building Gyrations

THE VIOLENT upswings and downswings of the nation's biggest industry—home building—during this generation have been created by what amounts to outright political considerations such as artificially-controlled interest rates and pouring federal money into the field at various times, **President Walter C. Nelson** said in the presidential address:

"The downswings in house building have been longer and more drastic than in the other areas of the economy while the upswings have been sharper than elsewhere and have been nipped off very much sooner. Some have claimed that these divergent movements of house building, as compared with the rest of the economy, have had a useful contracyclical effect—that is, they are supposed to have softened both recessions and booms in business generally.

"I disagree with this view. Just the opposite has happened. The supposed contracyclical movements of house building, instead of serving to balance the economy, have added to its distortions. They have accentuated each boom and have undermined each recovery."

The pattern of the past is clear for all to see and it plainly reflects the uneconomic methods which we have used, Mr. Nelson said.

▶ "First, after the presence of a recession has become fully recognized, and usually, in fact, after the forces of recovery are already at work, house building is given an artificial stimulus. It gets this stimulus partly from the automatic effect of the increasing acceptability of the fixed interest rates on FHA insured and VA guaranteed mortgages in face of a general decline in interest rates; and it gets it partly from various forms of direct governmental intervention in home financing.

▶ "Second, these sudden stimuli over-induce the rate of building, still lagging material supplies and hence raise costs, over-strain the credit system and hence raise interest rates, and end with a congestion not only in the financial market, but also in the housing market itself.

"Third, the increase in interest rates, which, in itself, has in large part come from the overstimulation of home mortgage lending, runs against the rigid ceilings on insured and guaranteed mortgage interest rates and results in an exaggerated tightening of home mortgage credit. The resulting shortage of mortgage funds may be further intensified by the removal of some or all the positive measures that induced the previous expansion. The consequence is a prolonged decline in building activity which exerts a drag effect on the whole economy and contributes seriously to an ensuing general recession.

"Governmental actions sometimes fail in their intended purpose and sometimes have effects that legislators did not take into account when the actions were taken. The repeated preoccupation of Congress with omnibus housing bills practically throughout each session keeps the building industry in virtually a constant state of uncertainty and forces builders to rush to take quick advantage of any favorable legislative turn. All this adds further to the violence of the movement we have witnessed."

President Nelson related how this pattern has been followed exactly in the past two years.

"In the fall of 1957," he said, "private house building was approaching the end of its worst year since 1951, after a long slide. General business was also recognizably in a decline. From the beginning of the year until well into July, builders had been held in uncertainty by pending housing legislation from which they had hoped to get easier terms for FHA mortgages and relief from the VA interest rate ceiling. They got the easier FHA terms but the total expected gain was nullified by the failure to get the interest rate relief and also by the imposition of control over mortgage discounts—a step that caused as much confusion as anything which Congress had been able to invent up to that time.

Roses for the lady, and for Walter and Marge Nelson, together, a beautiful silver service set—presented in grateful appreciation for the many services rendered to the Association during Walter's term of office.

"What followed was the abrupt nipping of the mild recovery in house building that got underway earlier in the year and a further severe slide in FHA and VA activity, just at the time when a sagging economy could have benefitted from an upturn in housing.

"The next thing that happened was in April of 1958, after a broad economic upturn was actually under way and after a preceding fall in the whole structure of interest rates had again made insured and guaranteed mortgages an appealing investment. In what should be called the After-Emergency Housing Act of 1958, Congress eliminated the discount controls it had established the year before and provided FNMA with $1 billion for the purchase of FHA and VA mortgages at par.

"The effect was a booming revival of housing which is making 1959 probably the biggest private house building year in history.

"But again we can see the usual pattern—a violent recovery leading to overcommitments, a sharp rise in interest rates in the free market and in discounts in the controlled FHA and VA market, a shortage of mortgage funds, increased costs, slower sales, and the prospect of a marked drop in activity in 1960. Among the causes of decline, special credit must be given to the exhaustion of the artificial boost in FNMA financing which was in a large part responsible for the distended total of 1959 in the first place.

"What do we make of this tormented history? What conclusions do we draw from the violent fluctua-

Among Those There

Headline speakers and industry-wide issues notwithstanding, a major "draw" of any convention (MBA's is no exception) is the opportunity it provides for members from all sections of the country to get together and to exchange some serious shop-talk. If at these moments—before, after and during the general business sessions—one's roving cameraman is alert, there emerges an interesting pictorial record. A convention, after all, is people; and, this year, people converged upon New York City in unprecedented numbers —some 3,800 strong—to make this Association's 46th annual meeting its greatest ever. The cameraman was on hand; he was, indeed, alert—and the pictures which follow tell their own story.

Seen first (above left) a jovial quintet consisting of Benedict J. Frederick, Jr., B.J. & G.W. Frederick, Inc., Baltimore; C. S. Piepgrass, Acacia Mutual Life Insurance Co., Washington, D. C.; Paul T. Miller and Lawrence J. Frederick, both also with B.J. & G.W. Frederick, Inc., in Baltimore; D. F. Roberts, likewise with Acacia Mutual Life in Washington, D. C. Then, a foursome: Harold B. Farley, First American National Bank of Duluth, Duluth, Minn.; Geo. A. Baumann, Baumann-Pomeroy Mortgage Corp., Phoenix; Frank R. Kessel, McCaughan Mortgage Company, Inc., Orlando, Fla.; Maurice R. Massey, Jr., Rutgers, Massey and Company, New York.

In photo above, left, that's Donald McGregor, T. J. Bettes Company, Houston; with newly elected MBA President B. B. Bass; Bernard V. Dill, Massachusetts FHA Purchasing Group, Boston; and Frank J. McCabe, Jr., MBA executive vice president, Chicago. And, next, that's Wm. A. Marcus, American Trust Company, San Francisco, making a point—emphatically so—to W. W. Salmon, Southern Trust & Mortgage Company, Dallas; Herbert Williams, Union Dime Savings Bank of New York City; and Paul G. Reynolds, Dovenmuehle, Inc., Chicago. The five gentlemen in the photo, at left, below, are all Floridians and they're all from Orlando. They include James H. Snellings and William M. Slemons, both with the Florida Mortgage Service, Inc.; and Roy O'Keeffe, Floyd A. White, Jr. and C. N. Prather, all with the Southeastern Mortgage Company. Finally (below, right) a trio who among themselves do a pretty good job of spanning the continent—Kenneth W. Peth, Burwell & Morford, Seattle; Harold O. Casperson, People's Savings Bank in Providence, Rhode Island; Vernon E. Roberts, Carroll Mortgage Company, Seattle.

tions to which our business has been subjected not only during the past two years but also throughout the postwar period? What recommendations do we offer for the future?

"There are some things I hope we do not recommend. I hope we do not, as some of our friends would urge, recommend a repetition of the free-wheeling FNMA credit we were given in 1958. There will be great demand for this, if, as is certain, the rate of new housing starts is down in the early part of the year. Many members of Congress, sensitive to demands of this sort and facing an election in the fall, may be easily persuaded that this is the approach to take. But this would be no more than trying to cure alcoholism with more alcohol. As an industry we should begin to ponder how many more of these binges we can stand.

"There will be renewed efforts next year to set the level of interest rates by legislative fiat, in spite of the fact that this cannot be accomplished without a resort to the equivalent of printing-press money. There will be efforts, through changes in FNMA or the creation of a new agency, to provide house building with a source of funds that will be free from the restraints of monetary policy. This too can be acomplished only by an outright inflation of the money supply. I am sure we shall not be found among the advocates of such measures.

"There will also be another omnibus housing bill, in which the continuance of the basic functions of FHA will again be held hostage for the passage and approval of new insurance programs, new loan programs, and new subsidy programs, all impinging directly or indirectly on the public credit. I hope that we shall not be panicked into acquiescing in the whole in order to get the part with which we are most concerned. This year we resisted the inclusion of new inflationary features in the housing bill and supported the President's veto of the original measure. We are likely to be faced with a similar decision again.

"Sooner or later we must find the means of breaking the incongruous and dangerous policy of combining in a single measure matters of serious consequence to the private economy of the nation and welfarist programs involving heavy use of the public credit, which should be considered separately and seriously on their own merits. To do this we may be called upon to make greater sacrifices than we have so far been called upon to make of our own immediate advantage in order to protect the interest of the country as a whole. I trust we shall be prepared to meet this test."

Change in Savings Bank Taxation Seen as Important Influence in Mortgage Lending

THE ILL effects that would stem from punitive taxation of mutual savings banks would quickly spread to the mortgage banking industry, **John deLaittre,** president of the National Association of Mutual Savings Banks and president of the Farmers and Mechanics Savings Bank, Minneapolis, said in his address following President Nelson. He said that increased outside competition in the specialized fields of each industry has challenged both "to justify the very services we provide, hence our very existence."

In discussing the tax problem, Mr. deLaittre was referring to a bill supported by ABA to increase federal taxes paid by mutual savings banks. The bili "would reduce the ability of savings banks to attract savings and hence reduce the volume of funds available for mortgage investment," Mr. deLaittre said.

It would strike at the availability of mortgage funds in two other ways, the NAMSB president said. First, tax-exempt securities could become more attractive investments than mortgages. Second, out-of-state mortgage lending by mutual savings banks would dwindle as local mortgage investments drained off most of the available funds.

"It is clear that mortgage banking would be among the first industries to be adversely affected by punitive savings banks' taxation."

In discussing common causes of the two industries, Mr. deLaittre urged the continuation of efforts to free FHA and VA interest rates from federal limitations.

He also pointed to the increased

This year, in a break with precedent, the MBA Distinguished Service Award was presented to Walter C. Nelson. Never before has an MBA president received the award while in office. In photo above, President Nelson receives the award and a congratulatory handshake from Lindell Peterson of Chicago, a past president of MBA and himself a former recipient of the award. Mrs. Nelson smiles her approval.

Others Who Were There

Whatever it was he just said, Reginald B. Miner, John Hancock Mutual Life Insurance Company, Boston (at left, in photo above) certainly had the undivided attention of W. Milton Farrell, also with John Hancock in Boston; Lindell Peterson, Chicago Mortgage Investment Company, Chicago; retiring MBA President Walter C. Nelson, Eberhardt Company, Minneapolis; Fred W. Kaeppel, Minneapolis. Next, four men who were deep in conversation until distracted slightly by the camera's approach: Frank R. Shugrue, Bankers Life Insurance Company of Nebraska, Lincoln, Neb.; James R. Deppen, Wm. Stanwell Company, Oakland, Calif.; Stanford L. Holmgren, also with Wm. Stanwell Co.; Don H. Knott, Guarantee Mutual Life Company, Omaha. Below, in first photo at left, that's John C. Hall, Jr., Cobbs, Allen & Hall Mortgage Co., Inc., Birmingham, Ala.; Howard M. Morse, The First National Bank of Boston, in Boston; Howard L. Posey, Cobbs, Allen & Hall, Birmingham; Earl Forsyth, New York Life Insurance Company, New York City.

The five gentlemen in the photo at right, above, make up in themselves a small Southern delegation. We see, first, Denny Wallace, First National Bank in Dallas, Texas; then C. Wiley Grandy and W. A. Charters, both with the Investment Corporation of Norfolk, Virginia; and, finally, Walter H. Andrews and Thomas C. Stevenson, Jr., with Stevenson, Zimmerman & Co., in Charleston, South Carolina. Pausing for a moment's conversation, before taking seats for one of the Convention's general sessions, that's (in photo below, at left) Frank S. Hight, Bogley, Harting & Hight, Inc., Chevy Chase, Md.; James H. Pence, James Pence Company, Louisville, Ky.; Fred D. Russell, M-L Servicing, Inc., Binghamton, New York; L. Douglas Meredith, National Life Insurance Company, Montpelier, Vermont. And, lastly—on this page, at least—that's William E. Strasser and Robert H. Wilson, Percy Wilson Mortgage & Finance Corporation, Chicago; with Comus B. Kelly and S. H. Trezevant, Jr., both with Stanley H. Trezevant & Co., in Memphis.

competition each industry is receiving from commercial banks as they continue their campaign for the savings dollar and give indications of becoming more interested in originating and servicing mortgage loans from institutional investors.

Both industries must meet the challenge, Mr. deLaittre said, by demonstrating "that we can provide these services better than, or at least as well as, our present and potential competitors."

He attacked the theory "from responsible quarters," that saving was outmoded and "that spending is the only sensible course."

"Counter argument from leaders in all walks of life . . . have effectively pointed out that our basic problem is inadequate rather than excessive savings," Mr. deLaittre said.

Gov. Rockefeller's Plan to Stimulate More Construction of Middle Income Housing

AT THE Convention MBA had a guest speaker who yields to no other in the great amount of public interest centering about him, **Gov. Nelson A. Rockefeller** of New York, who graced the MBA rostrum speaking to the largest session ever at an Association meeting. He described his views of urban renewal, the great housing challenges which face us in the Sixties with emphasis on his own plan for New York State.

"It is a program intended to stimulate the construction of housing for middle-income families in our cities, supplementing other governmental programs that have provided housing for low-income families in our cities and for middle-income families largely in our suburbs. It is a development out of an earlier program, started in 1955, of State loans in the form of 90 per cent mortgages to builders of limited profit housing; $100,000,000 of these funds were available when I appointed a task force to study the State's housing programs in January.

"On the recommendation of this group, headed by General Otto Nelson of the New York Life Insurance Company, legislation was enacted to triple the amount of housing these funds would build by the participation of $200,000,000 in private capital from insurance companies and banks. The device for administering these funds is the Limited Profit Housing Mortgage Corporation.

"The program is already well launched. Sixty-seven million dollars in funds from institutional investors has been raised. These funds will be joined with thirty-three million dollars of State funds for the first phase of the program.

"Once again the financial community has demonstrated the feasibility of private financing in a government program. Builder interest has been equally demonstrated during the past four months. Although the builder will be limited to a six per cent return on his investment, and his operations will be subjected to State supervision, inspection and audit, seventy-six of these firms from cities throughout the State have proposed sites they want to develop under the Limited Profit Housing Mortgage Corporation. Ninety other firms have explored the feasibility of developing such housing projects, without having reached the site-selection stage.

"If all these proposals were to be approved for mortgage loans, the entire $300,000,000 or more would be committed.

"This recommendation recognizes that it is neither feasible nor desirable to continue indefinitely direct loans by the State in the amount necessary to meet the demands of the middle-income housing market. The finance agency is a means of providing billions for housing finance without adversely affecting the State's credit.

Gov. Rockefeller to President Nelson—"I believe the mortgage bankers of America have an opportunity and responsibility to join us in our efforts to find solutions to our middle income (housing) problem."

"These funds would be drawn both from institutional lenders and from the public at large and the denominations of the bonds would be established to attract a wide buying public.

"These funds would finance housing at costs and rentals below the market for conventional financing. They would finance housing that otherwise could not be built and would not, therefore, compete with conventionally financed housing. The finance agency would open up an entirely new market for the average investor.

"Unlike the mortgage market, it would offer the investor a range of selection, choice as to term and amount, easy liquidation comparable to the security market and a high degree of security.

"Because the income from the agency's bonds and debentures would be exempt from State and Federal taxes, and secured by insured mortgages, we expect the loans could be made at interest rates reasonably comparable to the State's direct loans.

"By this means we would achieve lower rents for the segment of the middle-income market that has been largely untouched by any program to date; and we would channel private money into a rental market that has been served until now, and on a very limited basis, by direct State loans.

"A second proposal for the consideration of the New York Legislature is an amendment to the Constitution to establish a State insurance fund known locally as 'Little FHA.' This insurance fund is the power behind the proposed State Finance Agency. Intended as a supplement to the FHA program, it would provide State insurance of mortgage loans for the construction, repair and improvement of multiple dwellings and related community and commercial facilities.

"Self-supporting and self-liquidating, the fund would operate in areas of the housing market now scarcely touched by FHA, namely rental and cooperative multi-family housing for middle-income families in urban areas. The insurance fund program would stimulate the investment of mortgage funds in the state because of certain proposed advantages."

They Were There

Fathers and sons, in fact a double combination thereof, are much in evidence in the photo immediately above. First, that's Sefton Stallard and his dad, Carton S. Stallard, both with the Jersey Mortgage Company, Elizabeth, N. J.; and with them, Robert G. Guempel, of the Jersey Mortgage Company, in Elizabeth, and his dad, Herbert G. Guempel, Northern Insurance Company of New York, in New York City. Carton S. Stallard, of course, is MBA's newly elected second vice president. And, then, in the right hand photo, another trans-continental trio—Addison C. Pond, National Life Insurance Company, Montpelier, Vt.; F. M. Petree, Home Mortgage & Investment Co., Oklahoma City; and Willis R. Bryant, Bryant-Johnson Mortgage Company, San Francisco. In photo below, at left, Tarrytown, New York, is well-represented—with Edward A. Hummel, Charles H. Robinson and Harry W. Baum, all of The County Trust Company, in Tarrytown; and Edwin T. Burnett, The Bowery Savings Bank, New York City, standing with them at the right.

Quintet, in photo above, at right, includes Winfield Rick, Universal Associates, Inc., New York; David Savage, South Jersey Mortgage Company, Camden, N. J.; Paul F. Aguirre, James T. Barnes & Co., San Juan, Puerto Rico; Arthur A. Gretz, FNMA, Philadelphia; and Warren Ott, Inter-County Title Company, Norfolk, Va. In photo directly below, Claude E. Meyer, Delta Mortgage Corporation, New Orleans; and Alfred P. Jimmerson, The Williamsburgh Savings Bank, Brooklyn, chat a bit with two who might be said to be "sitting out a round"—Douglas L. Black, the Delta Mortgage Corp., New Orleans; and William T. Doherty, J. Halperin & Company, Inc., Jamaica, N. Y. More ladies than ever before attended this Convention; in the final photo on this page, we see a few. The group includes: Edwin H. Auerbach, Jr., Real Estate Financing, Inc., Montgomery, Ala.; Mrs. J. J. Heflin, Jr., Memphis; Stanley C. Sharp, Bailey Mortgage Company, Jackson, Miss.; Mrs. Stanley C. Sharp; Mr. & Mrs. William M. Jordan, Jr., Real Estate Financing, Inc., Montgomery, Ala.; and John D. Frazier, Bailey Mortgage Co., Jackson, Miss.

Tight Money Hits Hard at Time When There Is Greatest Need for More Home Building

RISING interest rates and the tightness of money will sharply curtail home building in 1960—the beginning of the decade when the nation's housing supply should be greatly expanded, instead of contracted, NAHB's president told the Convention.

"The need is for more houses, not less houses," **Carl T. Mitnick,** said in his address. "But unless the present money trend is reversed your opportunities for placing mortgages next year are going to be greatly reduced in comparison with 1959."

Mitnick said he deplored the increase in the FHA rate, but that in view of the present state of the money market he felt there was no alternative if the government-insured mortgages were to remain competitive.

"The increase means two things, neither of which is good from the standpoint of the buyer, the builder and the banker," Mitnick said. "First, it is going to sharply curtail the number of persons who can qualify for an FHA-insured mortgage. And secondly, it's going to completely knock the props out from under the GI housing program."

He noted that during the first eight months of 1959 roughly one-third of all housing starts were either FHA-insured or VA-guaranteed with most of the business concentrated in mortgages on moderately-priced homes.

Mitnick told MBA members that to the uninitiated, a review of housing production so far this year might seem to indicate that any problems which may exist could hardly be serious in nature. Private housing starts through the first eight months of 1959 totaled 947,100—a seasonally adjusted annual rate of about 1,340,000.

This figure, he said, is one of the highest production rates home builders have ever attained for any comparable period in our history. He added:

"Houses which are now being put under construction, or which have been put under construction in the last few months, represent the final stages of a production process which began a year to eighteen months earlier. It was that long ago that land was acquired and developed and construction and ultimate consumer financing arranged. Even most of the materials going into today's homes were contracted for some time ago. This long lead time is often overlooked when attempts are made to diagnose the economic health of the industry because generally the figures on current housing starts are used as our economic thermometer.

"I do not claim to be a monetary expert, but the best advice and information I can get give me no real basis for hope that the present monetary situation will improve in the foreseeable future. Quite to the contrary, it looks once again as though the situation will worsen before it improves. This is not the first time in recent years that we in the home building industry have been caught in the money squeeze.

"The similarities between today and 1955-56 are numerous and painful. Then, as now, efforts to 'tone down the boom' seemed to result primarily in measures which only 'toned down' home building. Then, as now, in a tightening money market, small businesses such as home building, were particularly vulnerable. Then, as now, interest rates were rising and we were in the full flush of what appeared to be an inevitable upward economic thrust.

"I do not need to remind this group that home building declined sharply from a high of 1.4 million units at a seasonally adjusted annual rate in early 1955 to less than a million within two years. This decline foreshadowed and indeed contributed to a major economic break in 1957.

"There are portents in the present high-interest tight money market that we are embarking on this unhappy cycle all over again. And it is coming at the beginning of a decade which demands an expansion and not a contraction of the nation's housing supply."

The White House
Washington
September 18, 1959

Dear Mr. Nelson:

On my recent helicopter flight over Washington with Chairman Khrushchev, I was particularly eager to show him some typical American residential areas. I knew that the sight of so many new homes and housing developments would be a fine indication of the strength of private enterprise and convincing proof of our people's opportunities for home ownership.

I understand that the proportion of American families now owning their own homes exceeds sixty per cent—and is steadily increasing.

There is no need for me to review the part played in this work by the members of your profession other than to note that yours is a key role: the wise channeling of mortgage funds into home building. The results are everywhere apparent and should be a source of deep personal satisfaction to all concerned.

It is a pleasure to send greetings to the members of the Mortgage Bankers Association of America on the occasion of their forty-sixth annual convention.

Sincerely,
Dwight D. Eisenhower

Mr. Walter C. Nelson, President
Mortgage Bankers Association of America
c/o Hotel Commodore, New York, N. Y.

They Were There, Also

In lead-off position on this page, we have first an all-banker group—and, incidentally, an all-California group. That's Hal Mendon, California Bank, Los Angeles, at left; with three representatives of the Bank of America, NT & SA—D. Clair Sutherland, San Francisco; John F. Gensley, Jr., Los Angeles; and C. E. McCarthy, San Francisco. The trio next to them, in most serious discussion it would appear, consists of C. R. Souders, The Reuben Securities Co., Toledo, Ohio; Arthur W. Viner, Investors Central Management Corporation, New York City; Herschel Greer, Guaranty Mortgage Company, Nashville. Following, in middle panel, at left, are Gus B. Bowman, Union Mortgage & Investment Co., Inc., Houston; William N. Fisher, Teachers Insurance & Annuity Association of America, New York; C. Travis Traylor, Jr., also with Union Mortgage & Investment, in Houston; and Robert J. Schray and William W. Shaver, both with the Syracuse Savings Bank, in Syracuse, N. Y.

Next, in photo above, right, we have an almost all-Tampa group—but not quite. The gentleman third from left is Alan S. Christner, of the Mellon National Bank and Trust Company, Pittsburgh; the other three gentlemen in the group—Richard E. Knight, Eugene Knight and John H. Skemp, are, however, all from Tampa, with Eugene Knight, Incorporated. Hailing from the far western state of Utah, the four men in the first photo, bottom panel, share one other feature mutually—they are all from Salt Lake City. From left to right, that's A. M. McDonald, Walker Bank & Trust Company; F. Orin Woodbury, Richards-Woodbury Mortgage Corporation; J. F. Hegessy, Miller & Viele; and Ernest A. Nelson, Zion's First National Bank. In this series' final photo, what appears to be a party caucus of sorts is in reality an impromptu pre-session conference among five members of the National Mortgage Company in Memphis. Starting at left, that's W. H. Smythe, Jr., Stanley Wender, Joe Margolin, Sidney Katz and Marlin Graber.

An Objective Worth Pursuing: Overhaul Obsolete Mortgage and Foreclosure Laws

THE INVESTMENT authority under which the nation's life insurance companies operate badly needs more uniformity and it will become increasingly acute in the decade ahead, **Deane C. Davis**, president of the National Life Insurance Company, Montpelier, Vermont, said in his address.

Investment in mortgage loans, particularly, is an area where greater uniformity is needed and where modernization of many state laws could greatly benefit the field, Mr. Davis said.

"To be more acceptable to institutional lenders, mortgages must partake as fully as possible of the characteristics which give bonds and similar prime securities their appeal—simplicity of form, ease of storage and sale, and standard and well-established remedies. Mortgages, of course, cannot be fitted into this class completely, but a great deal has been done and yet remains to be done to enhance their marketability, so to speak, in the general investment market.

"In the past, two formidable obstacles have tended to militate against mortgages—one is the matter of titles, and the other, foreclosures. The first difficulty has virtually disappeared, thanks to title insurance. The second continues to challenge us.

"Obviously, the ideal solution would be a complete overhauling of the mortgage laws of every state and the universal enactment of a uniform code. The breadth and scope of such an effort, however, renders it unattainable within any reasonable time schedule, as every lawyer knows. I believe we could, nevertheless, within the framework of existing laws and customs peculiar to each of the states, agree on a basic philosophy as to the nature and purpose of a lien to secure a debt and the method of enforcing it. Though this, too, would be a long and complicated struggle, any time and effort spent in it would be worth while indeed, and by thus narrowing the scope of the program, offer practical hope of success.

"What would we seek to achieve? In essence, we would seek to achieve a situation where in all states the law would permit lender and borrower to contract with each other under circumstances where the resulting loan contract would be fair to each; where the lender would feel disposed to make money available abundantly and at reasonable rates; where the borrower would be protected in the enjoyment and salvage of his property; and where the lender would be relieved of unnecessary risks and expense connected with enforcement of his lien. All this is not impossible."

The job is going to be a difficult one to achieve, Mr. Davis asserted, but for the long-term future it is one that has to be done.

"We have 51 local sovereignties to contend with, each having its own peculiar idea. Tradition and customs are powerful influences and that is why this kaliedoscopic pattern of mortgage law persists. The Uniform Commercial Code is trying to deal with a field that is just as complex, or even more so, and while progress seems slow, the Code definitely is on its way to a wider acceptance, essentially because it makes order out of chaos. Should not, likewise, the matter of revision and standardization in the mortgage field command similar attention and effort?

"This is particularly needed in the matter of foreclosure. For example, the item of redemption, which hangs like a cloud over the whole relationship between lender and borrower, all too often treats all mortgages alike. Hardly ever is any distinction made in the law between a commercial mortgage and one for purchase money to buy a home; and only rarely is any realistic distinction made on the basis of loan ratio. Is there not good reason to treat commercial mortgages differently from purchase-money home mortgages? Is there not good reason to treat a 33 1/3 per cent equity differently from a 20 per cent, 10 per cent, or even a 2 per cent equity, in this matter of redemption? Is it fair or just to let a defaulter on a virtually 100 per cent purchase-money mortgage remain in possession rent free a year or more? All too often the lender, in such cases, has to resort to a forcible eviction just to recover a sadly-beaten house.

"We have to start somewhere. Let's begin with simplification and standardization of these foreclosure practices. This will mean, at the outset,

On The Social Side

No convention—and, certainly, not an MBA Convention—ever would be complete without its fair complement of social affairs. So, too, no convention coverage—if it is to be a faithful and fully rounded record of the multi-faceted and kaleidoscopic events which comprise "convention days"—ever would be complete without including a few photos of members engaged in pursuits "strictly on the social side." For example: as seen at the Mortgage Bankers Legion Dinner (above) that's MBA vice president Robert Tharpe, Tharpe & Brooks, Incorporated, Atlanta; Norman Carpenter, Metropolitan Life Insurance Company, New York; G. D. Brooks, The National Life & Accident Insurance Co., Nashville; John K. McCready and C. A. Bacon, Mortgage Investments Co., Denver. Next, at the same event, but more in a conversational mood, that's Wallace Moir, Wallace Moir Company, Beverly Hills; Robert L. Beal, Iowa Securities Company, Waterloo; and Charles H. Warr, Metropolitan Life Insurance Company, New York. Then (middle panel, photo at left) W. Laird Dunlop, III, Walker & Dunlop, Inc., Washington, D. C.; Rudy Bollman and Cliff Robbins, both with Mutual Life of New York; Stanley M. Earp, Citizens Mortgage Corporation, Detroit.

The five genial gentlemen (above, photo at right) seen next were also at the Legion dinner and like all others who were there they seemed to be enjoying themselves. The group under discussion—and in discussion—included Quentin A. Dewing, Aetna Life Insurance Company, Hartford, Conn.; D. Richard Mead, Jr., D. R. Mead Company, Miami Beach; Philip C. Jackson, Jackson Securities & Investment Company, Birmingham, Ala.; R. L. Peterson, Aetna Life Insurance, Hartford; Francis C. Little, B. F. Saul Co., Washington, D. C. Again, at the same affair (bottom panel, left) another jovial quintet consisting of Albert Keidel, James W. Rouse & Company, Inc., Baltimore; William E. Terry, William E. Terry & Co., Inc., Little Rock; George M. Brady, Jr., James W. Rouse & Company, Inc., Washington D. C.; Philip S. Bowie, G. Calvert Bowie, Inc., Washington, D. C.; and Miles L. Colean, Washington, D. C. And, finally, a change in the social scene—the camera moves on and catches Mr. & Mrs. C. A. Story, C. A. Story Agency, Inc., Sydney, Neb.; and Mr. & Mrs. Robt. E. McVey, The Kirk-Mac Mortgage Company, Ft. Worth, Texas; as they wait for the annual re-opening of the doors to Club MBA.

a comprehensive study and then the development of a proposed uniform code. Such a code should distinguish between farm property, home property, and commercial or income-producing property. Foreclosure should be pursuant to a statutory power of sale, after reasonable notice served, recorded, and published. Redemption periods after sale might well be, for example, one year for farms and less for homes and for commercial properties, subject to further reduction in the case of farm and home mortgages if the debt has not been reduced by a specified percentage. The right to a deficiency judgment should be preserved, based on fair market value at the time of sale; and of real importance should be provisions for the expeditious disposition of Federal liens.

"The safety, liquidity, and favorable yield of a mortgage loan portfolio are now well recognized. Lack of marketability, however, is a drawback which affects their popularity as a medium for investment. Could we not reasonably look forward to the day when a seasoned FHA loan and other loans with good payment records would be just as marketable, as salable as a Government bond of the same amount? Every step taken in the direction of a uniform code brings us closer to such an objective, and we may be closer to it than is commonly thought."

Outgoing grand marshal of the Mortgage Bankers Legion, Elmer H. Grootemaat (right), A. L. Grootemaat & Sons, Inc., Milwaukee, turns over his gavel of office to the incoming grand marshal, Frank J. Bell, B. F. Saul Co., Washington, D. C.

We Need More Quality in Housing and the Lender Can Help Greatly in Getting It

OF THE roughly 40 million family-size non-farm houses in the country today, probably not 15 million are the kind of house that anyone will want to live in when the average family has more than $8000 a year to spend—and that goal is well in sight during the next twenty years, **Perry I. Prentice,** editor and publisher of House and Home, said in his address.

"What are we going to do with the other 25,000,000? How are we going to replace them? And what sense does it make to go on building any more houses that nobody will want to live in when the average family can afford a better home than junior executives could afford just a few short years ago?

"Already the average family can afford nearly twice as good a home as it now occupies," Prentice said.

"The income of the average non-farm family, expressed in constant dollars, has been going up between 2 per cent and 3 per cent a year, and that rise is compounded. Already more than half of all non-farm families have incomes over $5,500 a year, and by 1980, at the present rate of change, the average family will have an income well over $8,000 a year—and I don't mean inflation dollars, I mean dollars of 1956 purchasing power. When the average family has an income over $8,000 a year, what on earth are we going to do with all today's houses built for a much poorer market?

"Here are more than 14 million able-to-buy prospects waiting for the housing industry to tempt them with something much better than the obsolete or obsolescent used houses they live in now—something much better than the housing industry has ever dared to build, something much better than its bankers have dared to finance.

"Dollar for dollar, the quality house offers so much better value. Labor is the big cost in building, and it takes no more labor to install quality products than it takes to install minimum products that just get by FHA and the codes. For example: It takes no more labor to install a 40-gallon long-warranty water heater than it takes to install a cheap 30-gallon heater that will hardly last out a year.

"It takes no more labor to install a 250 lb. self-sealing asphalt roof than it takes to install a 210 lb. FHA minimum roof that will have to be

MBA's new chief executive, B. B. Bass, pauses in his busy schedule to pose with a group of his fellow Oklahomans, all members of the Oklahoma MBA. President Bass, hailing from Oklahoma City, is himself a past president of the state association. Current president, Dean Hoye, Albright Title & Trust Company, Newkirk, is seated at far right.

As Seen At Club MBA

Club MBA this year—drawing a capacity crowd of 1,600—provided MBA convention-goers, as it has so often in the past, with a night of fun and conviviality, topped off by a five-act "nightclub" program which, for style and pace, was more than a match for any of the offerings MBAers might have encountered had they gone "on the town" that evening. On this page will be found a random sampling of "pics" —to provide, yes, a pictorial record of the evening; but, also, to recall to the minds of all who participated, the pleasant moments in which they shared. First, a foursome—enjoying a chat before entering the ballroom and finding their tables—consisting of Mr. & Mrs. Jay F. Zook, Jay F. Zook Inc., Cleveland, Ohio; together with Mr. & Mrs. Robert A. Hoffman, Home Life Insurance Company, New York City. Then, the table of MBA President B. B. Bass, which includes (starting at left) MBA vice president, Robert Tharpe; Mrs. Philip N. Brownstein, Washington, D. C.; FHA Commissioner Julian H. Zimmerman, Washington, D. C.; Mrs. Richard A. Booth, Springfield, Mass.; President Bass; Mrs. Robert Tharpe; Philip N. Brownstein, Washington, D. C.; FHA Commissioner Julian D. C.; Mrs. B. B. Bass; and Richard A. Booth, Springfield Massachusetts Institute for Savings, Springfield, Mass.

Table group directly above includes retiring MBA president, Walter C. Nelson, together with Mrs. Nelson and guests—HHFA Administrator Norman P. Mason and FNMA President J. Stanley Baughman, Washington, D. C.; Mr. & Mrs. K. C. Young, Eberhardt Company, Minneapolis; Mr. & Mrs. John deLaittre, The Farmers & Mechanics Savings Bank of Minneapolis; Mr. & Mrs. Fred Kaeppel, also of Minneapolis. Then, six smiling people, making an attractive group as they wait for their table partners to join them: R. T. Gifford, Charles F. Curry and Company, Kansas City, Mo.; H. Morton Hill and Mr. & Mrs. Richard Keene, John Hancock Mutual Life Insurance Company, Boston; Mr. & Mrs. Albert C. Knight, Burlington Savings Bank, Burlington, Vt. First photo, bottom panel, shows Mr. & Mrs. Elliott J. King (second and third from left) The Bowery Savings Bank, New York City; with Cliff Cameron, Cameron-Brown Company, Raleigh, N. C.; Claude Pope, same firm, Asheville, N. C.; and James L. Purser, also same firm, Raleigh. Finally what might be termed an overall "musician's eye view" taken from the ballroom stage at the height of the dinner.

replaced years earlier at a cost of at least $300.

"It takes no more labor to install vinyl asbestos flooring in the kitchen than it takes to install asphalt tile that will be hard to clean and won't stand up under kitchen traffic and kitchen grease—incidentally, the material cost of the vinyl asbestos should be less than 5c a sq. ft. more, or less than $5 more for a built-in kitchen.

"It takes just as much labor to install a lavatory so small you can't wash your face in it without splashing water all over the floor as it takes to install a big-enough lavatory. It takes 90 per cent as much rough plumbing and 90 per cent as much plumbing labor to install a single bath as it takes to install two baths back to back."

The U. S. Economic Future Is Promising Prospect, Partly Because We Planned It

ECONOMIC growth and progress of this country over the next seven years were pictured as extremely promising possibilities with gross national product reaching $600 billion and an average family income of $7500—and a winning fight against inflation. **Dr. Arthur R. Upgren,** economist and professor of economics at Macalester College in St. Paul, addressing the convention, made the prediction and attributed the hopeful prospects to the fact that the economic stabilizers which have been built into the economy in this generation would contribute greatly to the anticipated performance.

"The growth in the economy which can be expected in the next seven years should produce a gross national product in excess of $600 billion and average family incomes of $7500. This advance can be produced without any serious inflation, mostly because we are developing very improved methods to fight inflation, and we can hope we will make the political decision to continue the fight.

"The weapons against inflation include a balanced budget, and that we have every prospect to expect in fiscal 1960, and to expect even a substantial budget surplus in fiscal 1961. The second weapon against inflation is a tight money policy, and that we all know continues to prevail, and the present modest, increasing threat of inflation will reinforce the monetary authorities in their tight money policy. The third weapon is the restraint upon wage increases so that their amount shall not be in excess of the general average increase in per worker production. That struggle has been dramatically before us in 1959," he said.

The country has planned well to meet future attacks of recession, Dr. Upgren said, and the planning is proving its merit.

"Since the end of World War II we have had three small economic recessions. They have all been moderate in character. In no case has the economic recovery in a like period of time following the recession failed to be at least twice as great as the decline in the recession.

"What has happened to make the economy so much more stable?

"The answer is that a substantial degree of stability has been built into the economy. Some of the more obvious measures which I shall not measure in detail include amortized mortgages, guarantee of bank deposits, FHA mortgage insurance arrangements, and other like structural changes in the economy.

"More important than all these are the economic snubbers and stabilizers which have been built into our economic machine to give the smoother economic ride."

The nation, and particularly the business segment of the country, is gaining a better understanding of the economic forces that cause economic upheavals, Dr. Upgren said.

"We are coming to understand the operation of our economy and its built-in stabilizers and how economic policies may nurture economic growth. As businessmen become aware of these forces for stability, we can expect them increasingly to stabilize their expenditures for plant and equipment. This will be helpful in fighting economic recession.

"Our economic recessions are of three types:

"First, we have the recession brought about by inventory liquidation. These, both before and after World War II have been modest recessions.

"The second type of recession comes with a sharp decline in business expenditures for new plant and equipment. These expenditures, in the great recession of 1929-1933, declined by 93 per cent. This experience led to the expression that 'nothing is as scared as a million dollars.'

"The third cause of economic depressions, and this cause produces by far the deepest economic depressions, is found in our repeated 'collapses of the money supply.'

"Inventory liquidation as a cause of depression we can now understand to be a mild cause.

"This leaves us with the prospects for possible decline in capital expenditures by business.

"These prospects are not adverse for the discernible future. Rather we will probably be very agreeably surprised both by the maintained stability in capital expenditures in the next seven years and by the growth in them. This will be due to the fact that our rate of technological development and improvement is very rapid, our labor supply will for these seven years be very scarce, and wages will continue to be very high. These high wage rates are the premium offered to a businessman to install better labor-saving plant and equipment and plant and equipment with greater efficiency. That is precisely so the businessman can produce a larger amount with the same labor supply, and, at the same time, earn with profit the higher wage rate he must pay."

The MBA Convention addresses represent an entire library of current thinking in many fields vital and important to the mortgage banker. With two exceptions, most addresses are available to you in complete text; if you would like copies, advise the headquarters office. Those of Carl Mitnick and Perry Prentice are not available and, in a few instances, only condensed versions can be supplied.

A Mortgage Banker Does a Job Under 220, But the Program Needs Some Changes

WHILE the field of urban renewal, and particularly that area which embraces new housing and rehabilitation for the central core districts, offers one of the most promising fields of mortgage financing, some changes will have to be made in present procedures and methods before the needed objectives are to be met, **Dale M. Thompson,** president, City Bond and Mortgage Company, Kansas City, Mo., said in his address.

Mr. Thompson was responsible for the financing which has made possible a large apartment project in Kansas City's Quality Hill development under the provisions of FHA Section 220.

Mr. Thompson said that difficulties presently standing in the way of a broad advance in this program are of considerable proportions.

"Cities everywhere are beginning to take a serious look at this matter of urban renewal. The latest report of the Urban Renewal Administration lists 818 cities which have active workable programs. An additional 118 cities have new workable programs in process. This is the first step in becoming eligible for federal aid. A community must develop a workable program and obtain its approval by HHFA before it is eligible for Title I funds, or Section 220 and 221 financing. The fact that 936 communities in the United States either have obtained such approval, or now are in process of doing so, indicates the broad interest in Urban Renewal. The second stage is to obtain approval of specific project areas for redevelopment. This leads to the allocation of Title I funds for use in the purchase and clearance of the land and its resale to developers at its re-use value. The HHFA report of June 30, 1959 indicates that 647 such urban renewal projects situated in 385 different communities have been approved. If the project is to involve the construction of new housing, the next stage is the certification of its eligibility for financing under Section 220. One hundred and seven urban renewal project areas located in 76 cities have been certified as eligible for such financing. The final stage involves the actual construction of a specific 220 project, like the one now building in Quality Hill. Only 17 cities have such construction either under way or already completed. These 17 cities have 61 such FHA projects at or beyond the construction stage. These 61 projects contain 14,453 apartment units and involve mortgage financing under Section 220 in the aggregate amount of $177,290,300. Thus, while only 17 cities have 220 projects actually under way, 936 cities have taken at least the first step in qualifying for Urban Renewal.

"The real significance of these figures is the tremendous potential which urban renewal still represents. The realization of this potential will depend upon a number of factors. The processing through the various agencies will need to be simplified considerably in order to make it worth while to go ahead with smaller projects. The complicated paper work now involved tends to discourage anyone but the large professional developer. The permissible interest rate under Section 220 will need to be made more competitive in order to attract private funds into this financing. The program to date has been all too dependent upon special assistance through FNMA. The local communities will have to make a much larger contribution to the financing of land clearance if the program is going to get off the ground on a nation-wide basis. The new Housing Bill adds $650,000,000 to the $1,350,000,000 previously voted for Title I assistance. This amount is entirely inadequate to sustain the program on a broad basis. On the other hand, I'm not so sure but what the clearance of slums is more the responsibility of the local community than of the Federal Government, and particularly at a time when our number one economic objective is a balanced federal budget."

A Goal for the Future Is Creation of Some New Investors for Mortgages

THE vast pool of capital represented by the rapidly growing pension funds—until now almost completely closed to mortgages for investment—has been opened and in the future this type of investor will become increasingly important to the mortgage banker, **Carey Winston,** president of The Carey Winston Company of Washington, D. C., told the Convention.

He spoke on the subject of New Investors for Mortgage Bankers and described three current developments

in the field which represent departures from past methods of investing in real estate mortgages. The vehicle which has led the way in interesting pension funds in mortgage investments is the Investors Central Management Corporation which provides the funds with all managerial services of acquiring mortgages as well as the accounting facilities. Until now, the pension funds have been reluctant to enter the mortgage investment field because of the greater amount of supervision, accounting and managerial time required as contrasted to the minimum amount necessary with bonds. After three years' experience, Investors Central Management has succeeded in opening the pension fund market although it is primarily with larger mortgage loans. The greater development will come when an appreciable number of small home mortgages are purchased by the pension funds.

The second development described by Winston concerned the organization of the Mortgage Corporation of America formed to purchase mortgages and then issue debentures against them, thus making it possible for the general investing public to participate in the field of mortgage investment. The third development concerned the organization of the Mortgage Guaranty Insurance Corporation which is a "private FHA," that is, insures mortgage loans in the same general way which the Federal Housing Administration does. Winston cited this development as one which will make it possible to underwrite high ratio conventional mortgage loans.

Mortgage Banker Tomorrow May Be Doing Many Things He Has Not Done Before

INVESTOR problems in acquiring mortgages, and increasing competition from other financial institutions as well as from within their own ranks mean that mortgage bankers in the years ahead will need to improve and expand their services and develop new techniques of operation if their industry is to continue to grow. So said **Saul B. Klaman,** director of research for the National Association of Mutual Savings Banks, and author of the recently published monograph, "The Postwar Rise of Mortgage Companies."

In his analysis of the rapid growth of the mortgage banking industry, Mr. Klaman pointed to the dependence by the industry on life insurance companies and mutual savings banks and suggested that in the future the industry should explore other types of investors. He said that the potential amount of mortgage funds from personal trust funds, fire, casualty and marine insurance companies, credit unions, and fraternal orders "is so great as to be worthy of your hardiest efforts." Individuals, too, "may offer a promising new market, as they become increasingly investment-minded," Mr. Klaman added.

One of the most important challenges facing the industry, Mr. Klaman said, was that of reducing the uncertainties of time lags and filling the need for immediate mortgage deliveries. He suggested that one possibility for faster delivery of completed loans would be "to assume directly part of the responsibility for initiating loan commitments to builders." He said that this would mean strengthening the capital position of the industry, but by assuming more of the underwriting risk, mortgage bankers would be "enhancing their value and thwarting outside competition."

He suggested that mortgage bankers expand their activities in the related fields of real estate investment and sales, land development, general insurance, and consumer financing in order to permit them "to roll better with the punches dealt by changing economic and financial conditions."

Competition in mortgage banking, Klaman said, was coming from commercial banks and savings and loan associations, the former becoming increasingly interested in originating and servicing mortgages for the accounts of other investors and the latter developing national secondary markets through the technique of participation loans.

Rapid growth of the industry has prompted many servicers to enter mortgage banking, but the period ahead may be characterized, Mr. Klaman said, "by the emergence of larger firms operating over a wider geographic area, and having a strengthened capital position."

Monetary Conditions Force a FHA Rate Increase to Highest Peak on Record

BIGGEST Convention news was the increase in the FHA interest rate. Rumored for days, no one could be certain that it was a sure thing but it came on the eve of the closing Convention session. Said **Julian H. Zimmerman,** FHA Commissioner:

"These rates, I believe, are realistic in terms of investors' yield and the national economy. We hope that with these increased rates we will see generally the elimination or substantial reduction of discounts, especially in the home mortgage programs. Recognizing the long standing argument between advocates of a free interest rate and those who prefer a fixed rate, I am certain that all responsible persons will agree that everyone has a stake in the problem of holding home mortgage interest rates to a point at which home buyers can buy—and equally—investors can invest."

"Regarding the FHA insurance authorization, the new legislation gives us an additional $8 billion. This should be ample for most if not all of next year. FHA and business groups have repeatedly requested that the unrealistic limitations upon FHA insurance authorization be removed from the law. Congress has not seen fit to grant this relief. While the recently passed law did not accomplish this objective, at least if offers temporary relief from the tight situation which made it necessary a year ago to use Agreements to Insure.

"It is not expected that the lower downpayments authorized for the 203 program will be put into effect at the present time for the reason that in my judgment and based on the continuing high level of activity in the industry this further stimulus is not needed at this time."

VA Loan Now Well Behind the Market, But Still Many Veteran Loans to Be Made

WHERE did all this leave the VA loan? That problem and its solution were obscure but, said **Philip N. Brownstein**, VA loan guaranty director, it is certainly too early "to write off the program."

The veterans' home mortgage program is being greatly affected by the tight money market, he declared, resulting from the fact that "capital demands are exceeding available funds in a booming economy."

"While there does not appear to be any immediate relief in sight there are a few encouraging indicators. The principal one is the fact that government demands will be somewhat neutralized this year in contrast with the $12.9 billion deficit which required the raising of new funds. Of course, there will continue to be the problem of refinancing. While the picture of available mortgage money does not have a rosy hue it may not be quite as bleak in the months ahead. Despite the general trend in the direction of tight supply, the volume of new mortgages reached a new high of just short of $3 billion last June to close out the most active half-year this nation's mortgage business has ever known."

The principal factor in the veterans' home mortgage program is the Korean war veteran, Brownstein said.

"More than 12 per cent of the present number of Korean veterans, or 662,000, have used their entitlement for GI loans. Assuming an adequate availability of mortgage money for GI loans, we would estimate that 40 per cent of the Korean veterans may use their GI loan benefits. This estimate is somewhat higher than the percentage of World War II veterans, about one-third of whom got GI loans, but we think it is sound.

"On the average, the Korean veteran entered service at a younger age than did his World War II counterpart. Consequently, in a few years a greater percentage of them will be establishing their families and looking for homes in which to shelter them. For these young families the GI loan will be a natural."

Norman P. Mason, HHFA Administrator, told the Convention that despite everything that's going into the urban renewal program, the results, to say the least, have been disappointing.

"Too many city people are talking generalities. It is shocking that we have during approximately 10 years only 26 projects completed so far. What too many local governments are grasping for are just more and more federal grants; more and more of the U. S. taxpayers' dollars. Too few reason out the practicalities of building or rebuilding housing. Too many see visions of dream cities. Too few understand the workings of practical economics. Hardly anyone seems to remember that cities are for people; that people need housing they can afford to live in.

"In America, we confuse spending with accomplishment. We are in such a hurry—always hurrying.

"Look at urban renewal. We have obligated $1,350,000,000 to help our cities clear their blighted areas. The program has been going for about ten years. One problem is that in some areas, the planners seem to like to keep on planning, and so rebuilding gets delayed. Sometimes I think this problem can be summed up in one word: 'projectitis.' Federal funds make the planning possible."

"The victory our President has won in this fight against inflation thus far has become important to each of you, for it helps maintain the integrity of your businesses. The President's fight for a sound housing program was not just a fight for housing. It was a fight and a victory for a sound economy.

"Issues for holding inflation in check go deeper than just the President's rejecting free spending legislation. It takes more than this to win the fight against inflation. What positive action are you taking? Are you doing anything about reducing the cost of transferring real estate? Have you honestly tried to find a sensible way which is less expensive? This is but an example of what each one of us must do if we are really to win the fight against inflation.

"In times like these when our economy is going smoothly, we should begin to live within our income as a nation. The success President Eisenhower has had in his legislative program this year should give us all courage to join with him in this fight against inflation. This land of ours is wonderful; it is resilient; it is worth saving.

"Will you join President Eisenhower in his battle and make it stronger?"

Heavy Capital Demands and Government's Heavy Competition Are Farm Loan Factors

FOR an area of the mortgage business which skeptics have, in many times past, written off as a casualty of government intervention, the farm loan section certainly seems to be a pretty live casualty. At the Convention this arm of MBA had its usual interesting Clinic, well attended and sparked by the current interest in what the Federal Land Bank system is doing to secure a greater share of the farm mortgage business.

Farm mortgage loans have lost some of their appeal for institutional investors during the past 18 months, partly because there is, in effect, a controlled ceiling on these loans and partly because of the advancing money market, **Denzil C. Warden,** agricultural loan secretary of The Connecticut Mutual Life Insurance Company of Hartford, said. **William E. Terry,** committee chairman, Little Rock, presided.

"Why haven't gross agricultural loan rates kept apace? Mainly because, for all practical purposes, there has been a ceiling on agricultural loan rates, preventing the free and natural movement of the rate among competitors. I refer to the interest rates established by the National Farm Loan Associations of the Federal Land Banks. Discount houses may operate and cause long-established, reputable concerns much difficulty but even discount houses must finally reckon with profit and losses and can—and have—gone broke selling their goods below market price. I do not anticipate that

(Story of the Convention Continued on page 64)

← An amusing anecdote, perhaps? At any rate, the ladies involved seem to be enjoying it. In the group—caught by MBA's roving cameraman, at the Ladies Legion Dinner—are Mrs. Carey Winston, Washington, D. C.; Mrs. Carton S. Stallard, Elizabeth, N. J.; Mrs. Frank J. Bell, Washington, D. C.; Mrs. Robert H. Pease, Chicago; Mrs. R. Meade Christian, Richmond, Va. And at the same party (in photo immediately below) were: Mrs. Charles H. Warr, New York; Mrs. Christian H. Bonnin, New York; Mrs. C. Douglas Wilson, Greenville, N. C.; Mrs. H. E. Peterson, Richmond, Va.; Mrs. William A. Clarke, Philadelphia.

And for the Ladies . . .

It is the presence of "the ladies" which adds lustre to the proceedings of any convention; and in this respect MBA, this year, was fortunate indeed—for there were more ladies in attendance than ever before: to be exact, 997! And for these ladies there were many treats in store—including the traditional luncheon and fashion show, and a gala afternoon theatre party at the "Flower Drum Song" musical hit. As always, too, the Ladies Hospitality Suite, staffed by the wives of New York area members, proved a popular rallying point—where old friends could meet and where new friendships could be made.

Also at the Legion Dinner (third photo down, to the left), that's Mrs. Walter C. Nelson, Minneapolis, seated far left. Next to her is Mrs. Reginald B. Miner, Boston. Seated across the table from Mrs. Nelson (at right, in picture) is Mrs. E. R. Haley, Des Moines. Next table view, one photo down, shows Mrs. Elmer H. Grootemaat (fifth from left), Milwaukee, and a group of friends. Mrs. Frank J. McCabe, Jr., Chicago, is seated at far left.

Two photos at bottom of page show (at left) a group of ladies at the MBA ticket exchange desk, getting their tickets for "Flower Drum Song;" and (at right) an after-the-performance autograph-ing session in the dressing room of Miyoshi Umeki, one of the show's stars. In first group, we see Mrs. Fred Wilmoth, Charleston, W. Va.; Mrs. Leslie M. Steele, Irvington, N. J.; Mrs. Fredric S. Bayles, Teaneck, N. J.; Mrs. R. L. West and Mrs. Adrian Harmon, both of Warrensburg, Mo. Seen with Miss Umeki are Mrs. Nelson; Mrs. Fred Kaeppel, Minneapolis; Mrs. B. B. Bass, Oklahoma City.

In photo directly below, we see a group of ladies enjoying a visit over morning coffee in the Ladies Hospitality Suite. Seated are: Mrs. Robert G. Guempel, Elizabeth, N. J.; Mrs. W. K. Fanning, Tacoma, Wash.; Mrs. Albert L. Buchner, Portland, Ore. Standing, center, is Mrs. Carton S. Stallard, Elizabeth, N. J., who served as chairman of the ladies' committee in charge of hospitality. Next to her is Mrs. Sefton Stallard, Elizabeth, N. J. She and Mrs. Guempel also served on the committee.

→

It's coffee time and it's Mrs. Harry Held, New York (photo, at right), whose turn it is to pour. The five charming ladies whose friendly smiles reflect their approval are: Mrs. Edward T. Hargadon, West Palm Beach, Fla.; Mrs. Russell G. Smith, New York; Mrs. Philip L. Greenawalt, Brooklyn; Mrs. B. D. Hudgens, Carbondale, Ill.; Mrs. George E. Miller, Jr., West Palm Beach.

Next photo, running down the page, shows Mrs. Raymond T. O'Keefe, New York, who also served as one of the hostesses for the hospitality suite, explaining some of the sightseeing possibilities to the visitors who in this instance included Miss Martha Jones and Mrs. J. W. Jones of Dallas; Mrs. John D. Jamieson, Toronto, Canada; Mrs. William J. Byrne, St. Louis, Mo.

Fashions—timely and smart, as presented by Saks Fifth Avenue—held the ladies' attention at the afternoon luncheon and style show in the Hotel Biltmore, as seen in photo No. 3 at right.

Finally, the four photos at bottom of page give random sampling of views and moods as "caught" during the fashion showing. Starting with left-hand photo directly below and continuing clockwise, we see first Mrs. J. L. Brooks, Jr., Miss Jean Biermann, Mrs. Nathan T. Bascom, Mrs. Ross Johnston, Mrs. Albert Bremer, Mrs. B. B. Bass, Mrs. Robert Tharpe. Then, that's Mrs. Raymond W. Goss, Mrs. Lydia Nichols, Mrs. Benton Wakefield, Jr., Mrs. Rowan Taylor, Mrs. Lon Worth Crow, Mrs. W. H. Harber, Mrs. Clarence Locke, Mrs. Norman A. Cox, Mrs. Walter M. Noel and (back to camera) Mrs. M. Corcoran. Photo at bottom right gives a full view perspective of the ballroom; and, finally, in table shot at bottom, left, we see: Mrs. Ralph T. Warner, Mrs. Franklin W. White, Mrs. John E. Austin, Mrs. Ernest Miller, Mrs. T. E. Klinger, Mrs. Howard B. Noonan, Mrs. P. Warren Smith, Mrs. Robert W. Ullman, Mrs. Robert E. Alshuler. Mrs. Warner, incidentally, coming from Honolulu, Hawaii, held the distinction of having traveled farthest to be on hand for the Convention.

Election in MBA

▸ B. B. Bass—*President*
▸ Robert Tharpe—*Vice President*
▸ Carton S. Stallard—*Second Vice President*
▸ George H. Dovenmuehle—*Treasurer*

Convention time is also election time in MBA and this year those who figured in the traditional changing of the guard were

B. B. Bass, president, American Mortgage and Investment Company, Oklahoma City, elected president to succeed **Walter C. Nelson,** president, Eberhardt Company, Minneapolis.

Robert Tharpe, president, Tharpe & Brooks, Inc., Atlanta, elected vice president.

Carton S. Stallard, president, Jersey Mortgage Company, Elizabeth, N. J., elected second vice president.

George H. Dovenmuehle, president, Dovenmuehle, Inc., Chicago, reelected treasurer.

Elected to the board of governors were

Robert M. Morgan, The Boston Five Cents Savings Banks, Boston;

H. Bruce Thompson, Colonial Mortgage Service Company, Upper Darby, Pennsylvania;

Jay F. Zook, Jay F. Zook, Inc., Cleveland;

R. C. Larson, C. A. Larson Investment Co., Beverly Hills, California;

Clarence A. Hardesty, Carroll Mortgage Co., Seattle;

James W. Rouse, James W. Rouse & Company, Inc., Baltimore;

William F. Keesler, First National Bank of Boston, Boston;

Addison C. Pond, National Life Insurance Co., Montpelier, Vermont.

Elected associate governors at large were

Region 1, **Thomas W. Christy,** Dollar Savings Bank, New York;

Region 3, **John D. Yates,** Stockton, Whatley, Davin & Company, Jacksonville, Florida;

Region 5, **Samuel C. Ennis,** Samuel C. Ennis and Company, Inc., Hammond, Indiana;

Region 7, **John M. McGill,** Equitable Life Insurance Company of Iowa, Des Moines;

Region 9, **C. A. Bacon,** Mortgage Investments Co., Denver;

Region 11, **Albert L. Buchner,** Commonwealth, Inc., Portland, Oregon.

Elected regional vice presidents were

Region 1, **Harry Held,** The Bowery Savings Bank, New York

Region 3, **Charles C. Cameron,** The Cameron-Brown Company, Raleigh, N. C.

Region 5, **H. Duff Vilm,** H. Duff Vilm Mortgage Co., Indianapolis

Region 7, **Frank R. Shugrue,** Bankers Life Insurance Co. of Nebraska, Lincoln

Region 9, **Paul J. Vollmar, Jr.,** Realty Mortgage & Investment Company, Albuquerque

Region 11, **Kenneth J. Morford,** Burwell & Morford, Seattle

Region 12, **C. C. DeWitt, Jr.,** East Bay Mortgage Service Co., Oakland, California.

George Dovenmuehle

Mr. Bass served as Association vice president this past year and has been a member of the board of governors. In 1956 he was given the MBA Distinguished Service Award and he has been a frequent lecturer at the MBA School of Mortgage Banking. He served as president of Oklahoma Mortgage Association and Oklahoma City Building Owners and Managers Association and has been a director of the Real Estate Board, Society of Residential Appraisers and Downtown Kiwanis Club in Oklahoma City as well as the Oklahoma County Red Cross. His entire career has been in mortgage banking, real estate and property management since graduating from the University of Oklahoma in 1928.

He was active in the 45th Infantry Division prior to World War II and was called to active duty in 1940. He graduated from the Battery Officers Course at Ft. Sill and the Army Command and General Staff School at Ft. Leavenworth in 1941. During the war he was chief of the Eighth Army Corps Anti-Tank section and secretary of the General Staff Sixth Army under Gen. Walter Krueger. In March 1943 he went overseas with the Sixth Army Headquarters and served in Australia, New Guinea, the Philippines and Japan. He was twice awarded the Bronze Star as well as the Legion of Merit and was promoted to Lieutenant Colonel in 1942 and Colonel in 1944.

Mr. Tharpe is a native of Georgia and began his career in the insurance field in Atlanta, later becoming associated with the Metropolitan Life Insurance Company in its mortgage loan department. During the war he was in the navy and was discharged with the rank of Lieutenant Commander. He was one of fifty applicants selected from a group of 7,000

New Members of the Board

Clarence Hardesty

R. C. Larson

Robert M. Morgan

Addison C. Pond

James W. Rouse

H. Bruce Thompson

Jay F. Zook

William F. Keesler

Regional Vice Presidents

Harry Held

C. C. Cameron

H. Duff Vilm

Frank R. Shugrue

Paul J. Vollmar, Jr.

Kenneth J. Morford

C. C. DeWitt, Jr.

Associate Governors at Large

Thomas W. Christy

John D. Yates

Samuel C. Ennis

John M. McGill

C. A. Bacon

A. L. Buchner

to attend the Naval War College, where he graduated and served on the staff of the Chief of Naval Air Training. In 1947, with J. L. Brooks, Jr., he organized Tharpe & Brooks. He has served on various Association committees and in 1958 was awarded the Association's Distinguished Service Award. He is a graduate of the Georgia Institute of Technology, where he played tackle position on the football team for three years. He was selected by the Associated Press All-Southeastern Conference for tackle for the 1933 season and was named on AP's All-American honor roll.

Mr. Stallard is a graduate of Brown University and a former trustee of the school's University Fund. He has been active in educational work pertaining to the mortgage and real estate fields and has served as instructor of Upsala College in East Orange and Rutgers University Extension Division. He is a former president of the Mortgage Bankers Association in New Jersey and is a member of the American Institute of Real Estate Appraisers and Institute of Real Estate Management. He is also a trustee of the Mortgage Bankers Association of New Jersey Educational Foundation.

Meet Mr.

BACK in the "pioneer days" of 1898, a young couple from Ohio — Harry and Ethelyn Bass — journeyed westward to what was then the Oklahoma Territory. Settling in the thriving rural community of Yukon, now a suburb of Oklahoma City but at that time almost a day's trip from the city, Harry Bass, with his younger brother George, opened a general store. It prospered, and in due time they were selling everything—literally—from toothpicks to threshing machines and automobiles.

In 1905, on April 7, their third child, a son, was born. Named Boylston Bowlby Bass, this was the boy destined to grow into the man who last month—at the age of 54—succeeded to the "Mr. President" position in MBA. As the Association's 41st chief executive, B. B. Bass—he seldom uses his given names and friends call him "Bus"—is the first to hail from the "Sooner State."

Entering into the world of business at a tender age, Bus, as a child, worked in the grocery department of his father's store—almost, he says, "from the time I was tall enough to see over the counter." His parents, both now 83 years old, recall that he "filled in" as the grocery delivery boy just as soon as he was tall enough to stand on a box and put the collar around the horse's neck when hitching him up to the delivery cart. It was from these early days, too, that the name "Bus" came about from the childhood nickname of "Buster" — a name, which Bus admits was "a natural," since at the time he was more than just a little on the chunky side.

In 1918 the Bass family moved to Oklahoma City. Between his completion of Oklahoma City's Central High School and his graduation from Oklahoma University, in 1928, Bus worked for two years for his father—"to save some money and to get a little business experience."

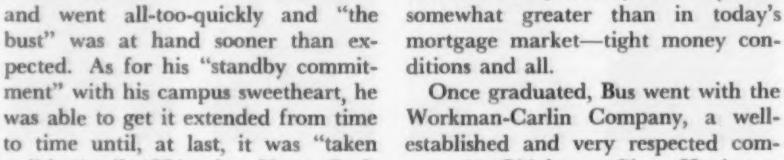
Undecided, during his first two years at Oklahoma University, as to whether he should follow a law or a business curriculum, Bus was aided in his decision by two factors. *Firstly:* he met and "fell for" the campus freshman queen—one Nancy Janis Bacon, a cute little Kappa pledge from Oklahoma City. And, having once obtained a verbal "standby commitment," his good judgment told him he would be wise to close the transaction with as little delay as possible. This made it easy for him to decide on the shorter approach—the School of Business. *Secondly:* the boom of the 20's was rolling along; business was good, everyone seemed to be making money and the years immediately ahead promised a new era, especially for real estate and home building. Bus decided it would be smart to complete school quickly, get established in business and be ready for that bright new era—"before the bust which might come."

Bus' decisions were sound. The only trouble was that the "new era" came and went all-too-quickly and "the bust" was at hand sooner than expected. As for his "standby commitment" with his campus sweetheart, he was able to get it extended from time to time until, at last, it was "taken up" in April, 1934, when Nancy Janis Bacon became Nancy Bacon Bass.

In college, his already developing sound business sense enabled Bus, as treasurer and house manager of Sigma Nu fraternity, to end his chapter's year—which began routinely enough with a deficit—with a surplus, a situation which had not existed since "the mind of the brothers runneth not to the contrary."

Also, during his senior year, Bus and his younger brother, George, operated a small confectionery shop on campus. Specializing in a candy popcorn confection they named "Golden Gobs," the two Bass boys sold as many as 120 dozen packages of "Golden Gobs" to OU's athletic department during one afternoon's football game. Since the "Gobs" had to be made, packaged and stored each week prior to the Saturday game; and since they would be stale and unsaleable if not sold on the Saturday for which they were intended, the hazards in the venture—especially since its success or failure was so dependent upon the weather and the crowds—were considerable. Bus, in fact, feels they were somewhat greater than in today's mortgage market—tight money conditions and all.

Once graduated, Bus went with the Workman-Carlin Company, a well-established and very respected company in Oklahoma City. He began as a real estate salesman, for it was his intention to go into the home building business after acquiring real estate experience and training. His first prospect bought the first house Bus showed; in fact, Bus made two



On the front lawn of the Bass family home at 1706 Pennington Way, in suburban Nichols Hills, the lady in Bus Bass' life—his wife, Nancy—poses with their sons, David and Phil.

President

sales out of his first four trys. This, naturally enough, made the real estate business look mighty good to him. But, quickly enough, the era of "easy sales" brought more and more salesmen into the field, more and more houses were built and, inevitably, everyone and everything was cut down to size.

During his first year out of college, Bus originated a new real estate department for one of the city's prominent insurance agencies; and later, in the early 30's, he started his own company when he took over the management of the Key Building, an Oklahoma City office building now known as the Oklahoma Natural Gas Building. This was "just before the roof caved-in" on the Oklahoma City office building industry. With two large new office buildings increasing the city's total downtown office space by approximately 50 per cent, just before the general business depression of the 30's struck, Oklahoma City became fated to have one of the largest office building vacancy rates in the country throughout the entire depression.

It was a rough period, indeed, but Bus drew from it much sound, practical experience in mortgage financing; and the building came through in excellent shape. Because there was little real estate business to be had, Bus utilized his spare time by furthering his education. He attended the Oklahoma City Law School, at night, for four years. When in 1939 he took his Oklahoma State Bar examination, he tied for fifth out of a group of 122.

Soon after, Bus was "taken over" by the military for more than five years. Once the war was over, but even before he returned from overseas, Bus—a long-time friend of General Raymond S. McLain, under whom he had served earlier—was contacted by the General in regard to a position with the American-First Trust Company of Oklahoma City, a firm of which the General was president. Bus joined American-First in February, 1946, a few days after re-entering civilian life, and that fall he was made a vice president and manager of the mortgage department.

The American-First, incidentally, was one of the first—if not *the* first—large mortgage lenders in Oklahoma to make FHA loans in volume during the early days of FHA; it did a statewide mortgage business long before World War II. Its roots could be traced through various predecessor companies all the way back to the days of the Oklahoma "run" in 1889. Bus liked the continuity and the tradition of the firm.

A spin-off operation on July 1, 1953, transferred all mortgage operations of the American-First Trust Company to the American Mortgage and Investment Company, a new company organized specifically for that purpose. Bus, as first vice president, continued as active head of mortgage operations in the new company; and he was named president upon the death of General McLain in 1954. The American Mortgage and Investment Company has enjoyed a steady growth and, today, is servicing a little over $70 million in loans for some 20 institutional lenders.

At the moment of his election to office as MBA's 41st chief executive, B. B. Bass accepts a congratulatory handshake from the man he succeeds, Walter C. Nelson.

Bright, indeed, has been the business career of MBA President Bass. Impressive, too, has been his military record.

A cadet colonel of the ROTC in his senior year at Oklahoma University, Bus soon after graduation transferred from the Officers Reserve Corps to the 45th National Guard Division, where he served on the Division Artillery Staff with several of his college ROTC associates. In 1939, at about the time he passed his bar examination—and with the war clouds getting darker and darker—Bus, to better prepare himself for possible military duty in the war which he was convinced would be inevitable, began concentrating on Army correspondence courses. He applied for and received appointment to the Field Artillery Battery Officers Courses at Fort Sill, Oklahoma, where in the spring of 1940 he graduated number one in his class.

A few months later, the 45th Divi-

General Walter Krueger, a hero of the Pacific campaign of World War II and commander of the famed Sixth Army, with Bus—one of his Aide-de-camps. They were in Hollandia, Dutch East Indies. It was September, 1944, and Bus was a Lieutenant Colonel.

Bus and two military friends share a moment of relaxation during what, in army lingo, was humorously referred to as "the worry hour." Ike Chapman is the man in the center; Ben Dechard, at right, is now an executive of the Dallas *News.*

sion was called to duty—on September 15, 1940. "One year's active duty training"—so the orders read; as it turned out, it was for the duration and Bus was not to re-enter civilian life again until January, 1946.

When first called to active duty, Bus served as Plans and Training Officer of the 189th Field Artillery Regiment. A few months later, he was at the Command and General Staff School at Fort Leavenworth, as a student. Upon completing this course, he was assigned to the Plans and Training Section of VIII Army Corps. He was VIII Army Corps Anti-tank Officer, in charge of the Corps Anti-tank Section, during the time that this Section was an integral part of the Table of Organizations.

In 1942, Bus was selected by General Walter Krueger, Commanding General of the Third Army and one of the heroes of the Pacific campaigns, as one of his Aide-de-camps. In this capacity, he went with General Krueger when the General organized and took command of the Sixth Army in Australia. He was appointed to the General Staff Corps as Secretary of the General Staff, Sixth Army and promoted to Colonel in 1944.

Overseas with the Sixth Army from March, 1943, to December, 1945, Bus participated in all of their campaigns in the Southwest Pacific. During this period, he was stationed in Australia, New Guinea, Goodenough Island, the Philippines and Japan. He was awarded the Legion of Merit "for exceptionally meritorious conduct in the performance of outstanding services — Pacific Theater, 20 October, 1944—15 November, 1945," and was awarded the Bronze Star twice.

In recent years, "Mr. President" has had to forego too active a participation in those sports which are of interest to him—swimming, golf, fishing. The pressure of business and his full-paced schedule of travel in connection therewith has not allowed Bus much leisure time. However, on occasion he does manage to "squeeze-in a bit of trout fishing." It has always been one of his chief outdoor pursuits; in fact, as his mother recalls, the Bass boys had quite a fishing reputation around Green Mountain Falls, Colorado, where they spent most of their summers before college days.

Before college, too, Bus was very active in swimming and in golf; and though he might be too modest to admit it himself, the record would indicate that in each he rates better than average. He won the Oklahoma City swimming meet, men's division, in 1923; and at one time was the golf champion of the Oklahoma City Junior Chamber of Commerce, as well as the Real Estate Board golf champ. As might be expected, the Bass household is not without a few battered golf and swimming trophies "someplace" about the premises.

Bus and Nancy Bass are the parents of two sons. Phil, born in 1936, is a 1958 graduate of Yale. Married to the former Sharon Stewart, an Oklahoma City neighbor *and* a college "neighbor" (Smith), Phil currently is Ensign Bass of the United States Navy. David, the younger son, was born in 1941 and he is now a freshman at Yale. Winning a first place spot in the Oklahoma City Science Fair last spring, David then journeyed to the National Science Fair in Hartford, Connecticut, where he won a fourth place national award.

The Bass family lives at 1706 Pennington Way, in Nichols Hills, a residential community adjoining Oklahoma City. Their home is just one-half block from the Oklahoma City Golf and Country Club course which is "home course" to Bus on those occasions when he can manage an afternoon on the links.

Prominent in business and civic organizations in Oklahoma City, Bus Bass has served as president of the Oklahoma City Building Owners and Managers Association. And he is, likewise, a past president of the Oklahoma MBA. He has been a director

Official staff photo of General Krueger and his Chiefs of Section—in Kyoto, Japan—November, 1945. The General is seated center and Bus is at the far right, also seated.

At the YMAC Breakfast and Discussion Meeting: photo directly above shows George C. Dickerson (left), chairman of the Young Men's Activities Committee, with James G. Wasson, MBA director of servicing; C. Armel Nutter, Jr., Nutter Mortgage Service, Camden, N. J., who served as chairman of the breakfast; and Saul B. Klaman, director of research for the National Association of Mutual Savings Banks, New York. Mr. Klaman was the featured speaker. At right, top photo shows new YMAC chairman Edward C. Greene (third from left), Southern Trust & Mortgage Co., Dallas; with vice chairmen John F. Stone, Boyle Investment Co., Memphis; John C. Hall, Jr., Cobbs, Allen & Hall Mortgage Co., Inc., Birmingham; Franklin D. Richards, Jr., Richards-Woodbury Mortgage Corp., Salt Lake City. Bottom photo, right, an overall view of the breakfast meeting, at which an attendance of 148 set a new high.

of the Real Estate Board, the Society of Residential Appraisers and the downtown Kiwanis Club, in Oklahoma City, as well as the Oklahoma County Red Cross. He is a member of the Seventy-Five Club, the Men's Dinner Club and the Beacon Club.

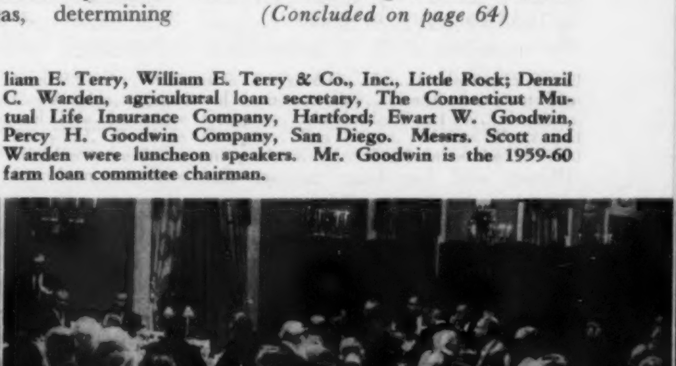
Long active in the affairs of the Association which he now heads, President Bass has had wide and varied service in the multiple phases of MBA activity. Last year, as vice president, he headed-up the Executive Committee and he served, too, as chairman of the Association's Editorial Committee. Among numerous other committees on which he has served have been the GI, Clinic, Mortgage Market and Membership Committees. In 1956, he was the recipient of the MBA Distinguished Service Award. For many years a lecturer at MBA's School of Mortgage Banking, he has, likewise, been a program participant in many MBA regional conferences and clinics, as well as national meetings.

In the months ahead, as President Bass travels about the country in the fulfillment of his presidential responsibilities—addressing large assemblies in many states, speaking with members of his own and other industries, consulting with government representatives, voicing ideas, determining policy, making decisions—the members of this Association of which he is the figurehead will be provided a close look at this man and his performance. They will like what they see!

B. B. Bass is a man of ideas. And, if at times—as he, himself, is first to admit—certain of his ideas tend to provoke controversy, this, too, is good; for such ideas in turn generate other ideas, ideas lead to thinking and thinking leads to progress. Nor is this man one who will hesitate in breaking with past procedure, if in so doing future progress can be assured. No matter how well something *has been done* in

(Concluded on page 64)

Two views of the Farm Loan Luncheon and Clinic: at right, luncheon in progress; and at left, the speakers table. Shown, from left to right, are: Lester B. Foreman, Business Men's Assurance Company of America, Kansas City, Mo.; Kenneth L. Scott, director, Agricultural Credit Services, Department of Agriculture, Washington, D. C.; chairman of the Farm Loan Committee, William E. Terry, William E. Terry & Co., Inc., Little Rock; Denzil C. Warden, agricultural loan secretary, The Connecticut Mutual Life Insurance Company, Hartford; Ewart W. Goodwin, Percy H. Goodwin Company, San Diego. Messrs. Scott and Warden were luncheon speakers. Mr. Goodwin is the 1959-60 farm loan committee chairman.



Walter C. Nelson, immediate past president of MBA, has been named chairman of the Housing Section of the White House Conference on Aging to be held in Washington next January. Earlier Mr. Nelson was named to the National Advisory Committee of this organization, which held two meetings at the White House, making preliminary studies of the problems having to do with the country's elder citizens.

The Conference itself is under direction of various planning committees and supporting data for the specific efforts is now being prepared. All the various investigations and studies will come to a climax next January with the holding of this Conference and from the meeting itself is likely to come the first broad-scale effort to understand and solve the problems now coming into focus as a result of the changing nature of our population with its higher proportion of elder citizens.

Kenneth P. Morrison, Jr., formerly in the office of T. J. Bettes Company in Houston, has been named assistant vice president of T. J. Bettes Company of Calif. in the firm's Honolulu office . . . **Fallon A. O'Leary** has become associated with the Mercantile Mortgage Company of Granite City, Illinois and has been named vice president in charge of income property loans.

Joseph J. Braceland, formerly vice president of The Philadelphia Savings Fund Society, in charge of mortgage loan operations, has joined Fidelity Bond & Mortgage Company, Philadelphia. He was with PSFS for 26 years. He is a past president of the Philadelphia MBA and was a member of the board of governors for five years.

J. J. Braceland

He has been active in the affairs of the Philadelphia Real Estate Board, and was vice president and head of its Financial Division in 1958. He is widely known in the mortgage banking field and for the past five years has been a member of the teaching staff of MBA's School at Northwestern University. In 1958 Mr. Braceland served on the Industrial Advisory Committee of FHA in Washington.

Roy F. Duke, president of Fidelity Union Trust Company, announced that the board of directors has elected **George M. Johnson** a Vice President. He will head the bank's mortgage loan department. Johnson entered banking in 1920 with the Irvington National Bank. In 1949, when Irvington National was merged into Fidelity Union, he was named assistant treasurer. In 1950 he was transferred to the mortgage loan department where he headed Fidelity's mortgage procurement program. He was elected a Second Vice President in 1955 and since 1956 has been a loaning officer in the Banking Department specializing in construction financing.

George M. Johnson

Lawson M. Watts, vice president in charge of the real estate loan department of First National Bank in St. Louis, will retire under the bank's pension plan on October 31. Mr. Watts, who has served First National in various official capacities for more than 33 years, will move to Houston, Texas, where he will become vice president and financial adviser for Mortgage and Trust Incorporated.

Mr. Watts, whose father, the late Frank O. Watts, was a founder of First National Bank in St. Louis, began his banking career in 1913 with the First National Bank of Helena, Arkansas. In 1915, he affiliated with the Manchester Bank in St. Louis and in 1916 became a bank examiner for the State of Missouri.

In 1917, Mr. Watts joined the French Foreign Legion for duty in the European theater. When the United States entered World War I, he was transferred to the American Expeditionary Forces as a staff sergeant and later was made second lieutenant.

In 1918, he returned to his post as state bank examiner and in 1919 joined the newly created First National Bank in St. Louis as assistant cashier. In 1922 he was promoted to assistant vice president, and in 1929 he was elected vice president, a position he retained until 1935 when he

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MBA will again publish *FHA Payments at a Glance* in convenient booklet form. With it you can determine instantly the payments on 15, 20, 25 and 30-year loans. The loan amount is shown, the monthly payments of principal and interest, the mortgage insurance premium and total payments and down-payments required.

Every mortgage company making FHA loans will receive a copy and will find this book of great help to staff members. Placing a copy in the hands of every FHA borrower will be good business. When you use it with borrowers, have your firm name imprinted on the cover. Costs are:

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was appointed deputy administrator of FHA in Washington, D. C.

He served with the FHA for seven years, then returned to First National Bank in St. Louis as vice president in charge of real estate loan operations.

William H. Jenson has been appointed an assistant mortgage officer of Teachers Insurance and Annuity Association, New York, **William C. Greenough**, president, announced today.

Prior to joining TIAA, Mr. Jenson was associated with Northwestern Mutual Life Insurance Company, Milwaukee, where his responsibilities included loan supervision in the Kansas City and St. Louis regional offices. A U. S. Army veteran of World War II and the Korean war, Mr. Jenson served overseas in Europe, Korea, and Japan.

Frank R. Kessel has been named Manager of the McCaughan Mortgage Company, Inc. Orlando office. Mr. Kessel was an officer of Investors Syndicate and Investors Diversified Services, Inc. of Minneapolis for over 25 years. One of his assignments with Investors was that of Manager for the State of Florida from 1938 to 1945.

L. O. Young

Frank R. Kessel

L. O. Young, veteran Cleveland mortgage man, has joined Jay F. Zook, Inc. as assistant vice president.

With more than 20 years experience in the real estate and mortgage field, Young had been an officer of Allied Mortgages, Inc. and of First Mortgage Corporation.

John T. Nixon, former assistant vice president of Kassler & Co., Denver, has been elected a vice president. Mr. Nixon was formerly with The Liberty National Life Insurance Company with whom he had been associated for the past 23 years.

Paul Anderson, formerly associated with Blaylock Investment Corporation, Shreveport, Louisiana for nine years, joined Savill-Mahaffey Mortgage Company in Indianapolis as comptroller. Mr. Anderson served with Blaylock as treasurer, and in 1955 was promoted to secretary-treasurer and a member of the board. He has a BS degree in accounting, and is in charge of all servicing and accounting.

FHA Commissioner Norman P. Mason has named a fifteen man Advisory Committee on housing and community development, among them MBA Past President **Aksel Nielsen** and president of The Title Guaranty Company of Denver; **James W. Rouse,** MBA board member and president, James W. Rouse & Company, Inc., Baltimore and **Ferd Kramer,** president, Draper and Kramer, Inc., Chicago.

Richard E. Downing, formerly in the investment banking field, has joined the corporate finance division of Percy Wilson Mortgage & Finance Corp., Chicago.

Obituaries

RALPH C. SUTRO

Ralph C. Sutro, 85, a pioneer mortgage banker and chairman of Ralph C. Sutro Co. in Los Angeles, died September 11. He was a native of Kansas and his early career was in commercial banking in Nebraska and later in mortgage banking in Spokane. He moved to Los Angeles in 1921. The firm he founded is loan correspondent for many investors. He is survived by two sons, Robert and Paul, president and vice president of the Sutro firm.

GEORGE H. SCHMIDT

President of The Title Guarantee Company of Baltimore, died suddenly October 8 at his home in Baltimore. He and his firm have been long time members of the Mortgage Bankers Association and he was active in the past in many Association activities.

1959 CONVENTION

(Continued from page 53)

fate for the Federal Land Banks, nor would I desire it; but their $5\frac{1}{2}$ per cent rate of interest may prevent agricultural borrowers access to funds of institutions which have in the past provided the largest group segment of funds for farmers and ranchers.

"We in the agricultural lending business today can get loans at the 6 per cent and up—rates obtainable from city mortgages and from various classes of bonds. We are getting $5\frac{3}{4}$ per cent and 6 per cent loans, not in volume, but we are making such loans.

MEET MR. PRESIDENT

(Continued from page 61)

the past, no matter how satisfactorily it *is being done* at present, *it can be done even better:* to this tenet, President Bass does—and will—hold fast.

Distinguished in appearance, distinguished in the world of business, B. B. Bass—as this Association's 41st chief executive—must, indeed, prove a most distinguished choice.

—Robert J. Beran

PERSONNEL

AND BUSINESS NEEDS

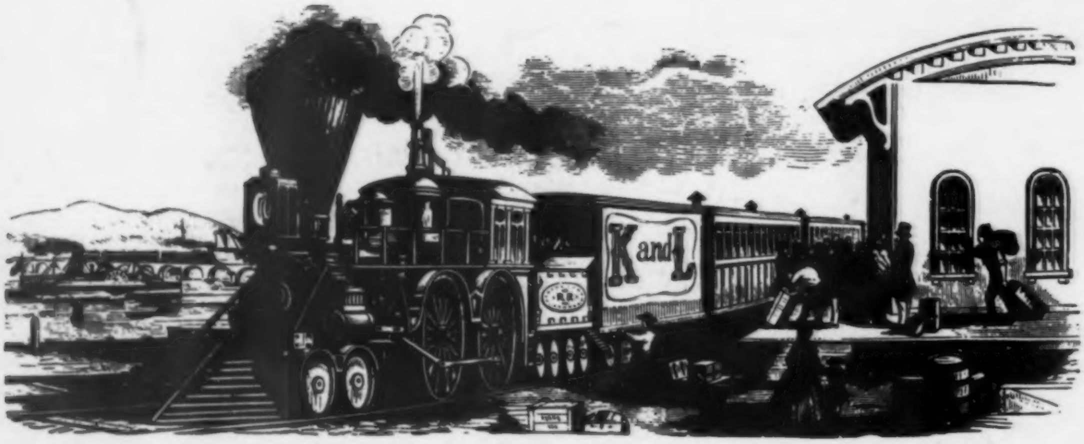
In answering advertisements in this column, address letters to box number shown in care of The Mortgage Banker, 111 West Washington Street, Chicago 2, Illinois.

BANK MORTGAGE EXECUTIVE

Offers 12 years officer level experience in all phases of Conventional, FHA, and VA mortgage lending from origination and construction processing to warehousing and servicing. Qualified analyst and appraiser. Willing to assume complete charge of department. Hold Master of Business Administration degree in addition to Rutgers Graduate School of Banking Diploma. Married. Age 39, willing to relocate. Write Box 610.

Middle West insurance company needs experienced mortgage man as second-in-command of Mortgage Loan Department. Age, 38-44. College graduate. Experience in commercial and investment property loans as well as residential loans. Starting salary—$12,000 to $15,000 depending upon ability and capacity to assume responsibility in a position of executive importance. Resume and small photograph helpful. All inquiries confidential. No reference contacts will be made without permission. Our personnel are aware of this advertisement. Write box 611.

Will Buy: NCR 3100 Model or Burroughs F-300 with typewriter, either model to have a minimum of ten counters. Write Box 613.


K and L